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A History of Indian Economic Thought

SHIVA CHANDRA JHA

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To

The fighters of the JP-led movement and my co-prisoners who were detained under MISA, DIR and other sections during the Emergency in the Muzaffarpur Central Jail and the Palamau District Jail, Daltonganj.

By the same Author

A CONCEPT OF PLANNED FREE PRESS

MARXIST THEORIES OF IMPERIALISM :
LENIN, ROSA LUXEMBURG AND FRITZ STERNBERG

AMERICAN FINANCE CAPITALISM

STUDIES IN THE DEVELOPMENT OF
CAPITALISM IN INDIA

THE INDIAN TRADE UNION MOVEMENT

PREFACE

The writing of this book was done during the Emergency when I was detained under MISA for eighteen months from August 9, 1975 to January 31, 1977. In fact, this was my third detention under MISA during the J. P.-led movement from 1974 to 1977. For the first three months I was in the Muzaffarpur Central Jail and the remaining fifteen months in the Palamau District Jail, Daltonganj. The exact putting it down in black and white was done between July, 1976 and January, 1977 in the Palamau District Jail, although the gathering of the material, slowly and intermittently, was started in 1972. Since then even whenever in jails, my reading and taking down notes had continued. All this was from the aim of completing the third volume of my projected six-volume "Studies in Socialism in India", whose first volume, *Studies in the Development of Capitalism in India*, was published in 1963 and the second volume, *The Indian Trade Union Movement* in 1970.

As I was completing writing on Gopal Krishna Gokhale the radio blared the proclamation of the Lok Sabha election in March, 1977. It meant that we the detenus of the JP movement against the Emergency were going to be released and were in fact released.

After Gopal Krishna Gokhale, the Chapters that I had outlined to write were like this :

Modern Period : Later Phase

Chapter

XI Mohandas Karamchand Gandhi
XII Lala Lajpat Rai
XIII Jawaharlal Nehru
XIV Subhas Chandra Bose

Modern Period : Socialist Phase

XV M. N. Roy
XVI Jayaprakash Narayan—Ram Manohar Lohia—Ashoka Mehta

Modern Period : Sarvodaya Phase

XVII Vinoba Bhabe—Loknayak Jayprakash
XVIII The Academicians
XIX Planning Commission
XX The Poverty of the Philosophy of 'Garibi Hatao' : Indira Gandhi

Thus I could finish writing only half of the projected book in jail. Out of jail, I still banked on the idea of completing the rest. But the socio-economic-political turmoil in which I was thrown out of jail, it was difficult to do that.

In 1978 I was elected to the Rajya Sabha on the Janata (JP) ticket. In Delhi, Parliament has its own seriousness and magnetism. But the respite that I had in jail I could not manage here. Eventually I decided to let it go to print as it was written in jail and its second half to be completed some day in future.

Thus the book is in the same shape as written in jail at Daltonganj.

Now, as it is, I am not unaware of its limitations. Firstly, I had in mind to write on the economic ideas of Todar Mal and Abul Fazl. But because of the lack of the relevant material in jail, I could only manage to present a miniature view of their ideas.

Then in a book like this the curiosity for the present day economic thinking behind the Planning Commission and the Plans is quite pertinent to be probed into.

The concept of modern scientific planning has been the inalienable part of socialist thinking in India as all over the world. During the nationalist movement as socialist ideas were getting more hold on the freedom fighters, planning of the Indian

economy became one of their major goals. The denouement of the whole process came by the formation of the National Planning Cammitttee in 1938 by the then Congress President Subhas Chandra Bose, with Jawaharlal Nehru as its Chairman. Since then Jawaharlal Nehru worked as the father of Indian planning, specially of the Five-Year Plans which India adopted after independence.

It goes without saying that the exact making of the Five-Year Plans had the impact of the experiments made so far with planning in other parts of the world, specially in the Soviet Union. Two salient features of such planning had come to the fore—the duration of the Plan and which should have the priority, industry or agriculture. The Soviet experiment had demonstrated the suitability of the five-year periods and the lead of industry. The gradual successess of the Soviet planning had vindicated these points.

When the Planning Commission was formed and the Indian economy was put on the tracks of planning much pioneering work had already been done. What was needed was to get it done in India. Jawaharlal Nehru thus became the prime mover of the things started by the Planning Commission through its Five-Year Plans. In India the political framework that was established through the Constitution, envisaged the quinquennial seeking of the people's verdict for the overall making of the country's destiny. This further added impetus to the concept of quinquennial planning.

Then the priority of industry to agriculture was again dependent on their inherent inter-dependence. Even for a country which has the predominance of agriculture, the modernization of agriculture becomes imperative. But this modernization can't proceed with enough speed without the scientific know-how and the scientific inputs. This demands the industrial development first. But the industrial development itself can't be sustained without the requisite quantity of foodgrains. These foodgrains either have to be produced inside, and if not possible, then imported from outside the country. In no case the growing industrial

centres shall be left without the proper supply of what the growing numbers of the proletariat would demand. Thus the development of one is dependent on the other. The crux of the question is as to which should break the ice. The history of industrialization, both of Britain and Soviet Russia, demonstrates that the lead taken by industry, even if it causes some hardship in the beginning opens an interminable vista for future development. In Britain it was through private enterprise while in Soviet Russia it was through public enterprise. But in both the cases the lead of the industry over agriculture was the demand of the inherent forces of social development. Alexander Hamilton was more corroborated by future developments than even Thomas Jefferson in this matter in American history. Even in China where the technique of revolution under Mao Tse Tung was different from that of Lenin, in the matter of industrial development it had to fall in line with Lenin's concept of planning.

This debate on the priority of industry over agriculture in economic thinking has been put under the nomenclature of models of development. The Planning Commission and the Five-Year Plans in India have what is called the Mahalanobis model, which implies the priority of industry.

Not because of planning as such but because of certain deficiciencies in the implementation of the Plans when the targets were not being achieved as planned, cynicism crept in. Plan holiday, annual plan and the concept of rolling plan started coming to the fore. The rolling plan is no innovation but just putting more emphasis on the evaluation of every year's performance before proceeding further on the path of the Five-Year Plan. It was done from the beginning of the First Five-Year Plan in the country. Besides, the topic of agriculture being neglected started being discussed and debated frequently. But even from economic thought point of view whether any original thinking has been done need be investigated. To my knowledge, the field of enlarged reproduction where the producers' goods, consumers' goods and the quantity of money maintain their moving equilibrium is worth close enquiry. If such an equilibrium in not maintained the

crisis in the economy is unavoidable. The stagflation of the economy is just the by-product of such a deep crisis.

The Planning Commission through its Plans has not displayed such thinking. In fact, it has to work within certain policy frame. And here the poverty of thinking of the policy frame makers with their phalanx of economists is glaring.

In fine, socialism which has been accepted by the Indian people and the Indian Parliament as the inevitable goal for socio-economic transformation of the Indian society is in full compatibility with Indian economic thought inheritance. An attempt, although half done, has been made to find it out.

I need not enumerate the books, which are many, I have consulted. But one thing I must mention that no comprehensive attempt seems to have been made to probe into the pre-British Indian economic thought. S. K. Srivastava's *History of Economic Thought* has done some spadework by collecting the relevant literature for the pre-British Indian economic thought. Maxime Rodinson's *Islam and Capitalism* is a good inspiration to those who want to delve into India's religio-philosophical ideology for its impact on India's economic progress.

I am thankful to all those who in one form or another helped me, both inside and outside jail, in completing this work. But I am alone responsible for the shortcomings of any kind in the book.

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SHIVA CHANDRA JHA

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CHAPTER I

ANCIENT PERIOD

ECONOMIC THOUGHT IN THE VEDIC LITERATURE

".....the Lokayata, with their Materialistic Philosophy made the beginning of the science of economics....."[1]

For knowing the history of Indian Economic Thought it is necessary to say something about Indian thinking in general.

The paean for Indian spiritualism has been sung *ad nauseum*. Its deafening reverberations have continued through the ages. "It is claimed over and over again that the characteristic peculiarity of Indian philosophy is its spiritualism."[2] Nay, this spiritualism is said to have added "real greatness and glory to our philosophical heritage."[3] A galaxy of eminent Indian and foreign intellectuals have joined this chorus.

In 1789 when Sir William Jones translated *Shakuntala* of Kalidas from Sanskrit into English, it ignited the spark in Europe. Johann Goethe was enthralled by it beyond measure ; he was just enchanted. A Little later Arthur Schopenhauer in Germany and Ralph Waldo Emerson and Henry David Thoreau in the United States were greatly impressed by Indian philosophy, specially the philosophy of the Upanishads. To cap it all, in 1892 came out Max Muller's work *India : What Can It Teach Us.* Arthur Schopenhauer had written :

"From every sentence (of the Upanishads) deep, original and sublime thoughts arise and the whole is pervaded by a high and holy and earnest spirit...In the whole world there is no study so beneficial and so elevating as that of the Upanishads. (They) are products of the highest wisdom. It is destined sooner or later to become the faith of the people.

"The study of the Upanishads has been the solace of my life, it will be the solace of my death."[4]

On this, Max Muller said, "Schopenhauer was the last man to write at random, or to allow himself to go into ecstasies over so-called mystic and inarticulate thought. And I am neither afraid nor ashamed to say that I share his enthusiasm for the Vedanta and feel indebted to it for much that has been helpful to me in my passage through life."[5]

In another place Max Muller wrote : "The Upanishads are the source of.. ...the Vedanta philosophy, a system in which human speculation seems to me to have reached its very acme.. I spend the happiest hours in reading Vedantic books. They are to me like the light of the morning, like the pure air of the mountains, so simple, so true, if once understood."[6]

Catapulted by his enthusiasm about India and the contribution of India to mankind in general, Max Muller's conclusion was :

"If we were to look over the whole world to find out the country most richly endowed with all the wealth, power and beauty that nature can bestow—in some parts a very paradise on earth—I should point to India. If I were asked under what sky the human mind has most fully developed some of its choicest gifts, has most deeply pondered over the greatest problems of life, and has found solutions of some of them which well deserve the attention even of those who have studied Plato and Kant—I should point to India. And if I were to ask myself from what literature, we here in Europe, we who have been nurtured almost exclusively on the thoughts of the Greeks and Romans, and of one Semitic race, the Jewish, may draw the corrective which is most wanted in order to make our inner life more perfect, more comprehensive, more Universal ; in fact, more truly human a life, not for this life only but a transfigured and eternal life—again I should point to India."[7]

About half a century later, in recent times, Romain Rolland played the same tune thus :

"If there is one place on the face of the earth where all the dreams of living men have found a home from the very earliest days when man began the dream of existence, it is India."[8]

Similar had been the fascination of many others from abroad about India having the unquestioned monopoly of spiritualism.

Among the Indians of the modern period the leonine grunt of Swami Vivekananda at the Conference of World Religions in Chicago in 1893 had made the world accept India as the impregnable bastion of spiritualism.

Poet Rabindranath Tagore had sung the song of India's philosophical and spiritual grandeur.

S. N. Dasgupta and Sarvapalli Radhakrishnan left no stone unturned to prove in their monumental works on Indian philosophy that basically India is the land of Spiritualism. Radhakrishnan wrote :

"The dominant character of the Indian mind, which has coloured all its culture and moulded all its thoughts is the spiritual tendency. Spiritual experience is the foundation of India's rich cultural history. It is mysticism not in the sense of involving the exercise of any mysterious power, but only as insisting on a discipline of human nature, leading to a realization of the spiritual."[9]

Radhakrishnan further said : "Philosophy in India is essentially spiritual. It is the intense spirituality of India and not any great political structure or social organization that it has developed, that has enabled it to resist the ravages of time and the accident of history...The spiritual motive dominates life in India."[10]

While contrasting the Indian mind with the Western one he unfolded the quintessence of this spiritualism :

"The Western mind lays great stress on science, logic and humanism. Hindu thinkers as a class hold with great conviction that we possess a power more interior than intellect by which we become aware of the real in its intimate individuality and not merely in its superficial or discernible aspects. For the Hindus, a system of philosophy is an insight, a *darsana*. ... To know God is to become divine and free from any outside influence."[11]

The alpha and omega of this kind of Indian thinking coming through the ages was demonstrated by Mahatma Gandhi in the political field during India's freedom movement.

Such had been the advocacy and labour of great intellectuals to convince that the general Indian mind is more spiritual, otherworldly than materialistic and mundane. Unfortunately, barring

a few, very little or no efforts have been made to dig out the past records as to how in materialistic thinking also the Indian mind was not inferior. In other words, whenever the situation demanded, the Indian mind looked at the mundane problems with the same intensity and penetration as the Western mind. For centuries the materialist philosophy had a powerful influence on the people of India.[12] Not only this, even in the systems of Indian philosophies which by various interpretations and interpolations of later times appear to give a spiritual outlook to them, were mostly materialistic and atheistic. "An objective survey of what strictly be considered as the philosophical heritage of India shows that the admission of God had a previously limited place in it. Only two of the major philosophies of India can be considered as theistic, and even this not without important reservations. All the other major philosophies of India can be considered as atheistic. This means that except for a negligible minority, the Indian philosophers found no use for the concept of God ; they moreover actively engaged themselves to demonstrate why philosophically speaking—the concept of God was not in the least acceptable."[13]

In other words, only the Vedanta (with some reservation) and the later version of the Nyaya-Vaisesika were theistic, while Buddhism, Jainism, Purva Mimansa, Sankhya, Lokayata, Nyaya-Vaisesika in their original forms, were all the philosophies of committed materialism and atheism.

The tragedy is that we don't have enough literature on materialism of the ancient period. "The only references to this, now found, are in criticisms of it and in elaborate attempts to disprove the materialist theories."[14].

Jawahar Lal Nehru wrote : "We have then to rely on the critics and persons interested in disparaging this philosophy, and they try to pour ridicule on it and show how absurd it all is. This is an unfortunate way for us to find out what it was. Yet their very eagerness to discredit it shows how important it was in their eyes. Possibly much of the literature of materialism in India was destroyed by the priests and other believers in the orthodox religion during subsequent periods."[15]

The vehemence with which the philosophy of materialism was ridiculed and attacked by its opponents demonstrates how strong was its grip on the masses. That which was prevalent among the people, i. e., Lokayata, as it was the name of materialism in general in India through the ages of any taint, was with all tenacity looked down upon, Samkaracharya's criticism of the Sankhya philosophy in the eighth-ninth centuries A. D. shows how no quarters were to be given to any philosophy which had anything to do with materialism.

Such persistent offensive attitude towards materialistic thinking had been the fate of the Lokayatikas in general in India even upto the recent times. Radhakrishnan has dubbed such materialistic thinking of the ancient period as "metaphysical fancies and futile speculations."[16].

When such was the fate of materialism in general and its literature in particular, we should not be surprised at the paucity of literature on economic thought in the ancient period of India. Kautilya's *Arthasastra* is the lone exception.

Thus for tracing the evolution of Indian economic thought we have to depend on various references to economic ideas in the Vedic literature, the Epics and the Puranas and other Smritis. Then the economic thought has to be dug out from certain policies and steps pursued by the ruling authorities in India up to the end of the medieval period, i. e., till the coming of the British in India.

After the establishment of the British rule in India the situation was different by India's coming into contact with developed capitalism. The Indian economic problems began to be seen in the new light with the new tools as capitalism in general had made them available. With Dadabhai Naoroji and others, about whom we shall see later, economic thinking was sought to be modernised.

For tracing the evolution of Indian economic thought, we have to begin from the beginning. The start has to be made from the Vedic literature itself.[17]

Veda means knowledge from the root *vid*—to know. The Vedic literature generally comprises the found Vedas—the Rig Veda, the Yajurveda, the Samaveda and the Atharvaveda, the

Brahman literature, the Aranyak literature and the Upanishads.

The Rig Veda happens to be the earliest book that mankind has got. It has more than 10,000 *mantras*. Opinions vary about the number of the mantras. Some say 10,472, some 10,528, while some say 10,552. In the eight *mandalas* of the Rig Veda the total number of the mantras has been pointed out to be 15,000.

The composition of the mantras is said to be very old. According to Tilak some mantras are as old as 6000 B.C. But the majority of the authorities from Max Muller to Radhakrishnan agreed that the composition of the majority of the mantras was completed by 1500 B.C.

About 300 persons, or Rishis as they were called, like Vishwamitra, Bamadeva, Atri, Bharadwaj, Vasishta and others had their hands in composing them. Besides, female writers like Juhu, Shachchi, Ghosha Lomasha, Lopamudra, Vishwavara and others and the *shudra* Ardhagrava had made their contributions in their composition.

The collection of the *mantras* is called *Samhita*. *Mantra* itself means something abtruse, said in admiration of something in verse form. In fact, the mantras in the Vedas were meant, *inter alia*, in praise of the gods and the deities who were 3339 in number, out of which 33 were the great ones.

Next to the Rig Veda is the Yajurveda, which has about 2086 *mantras*. It deals with what is called *Karmakand*, i.e., the same praising of the Gods is done through rituals, by offering some edibles, etc., in a festive mood instead of just by recitation as done in the Rig Veda. The very nomenclature 'Yajur' has its origin from the word *Yajna*. This is mostly meant for the mundane people, leading family lives.

There is the Sam Veda which is the smallest of all, containing about 1810 or, according to some, 1875 *mantras*. It has more repetition of the same mantras many times and most of the mantras have been taken from the Rig Veda. In fact only 75 are the new *mantras*. Its speciality lies in its being sung with sweet melody and rhythm. The very word *Sam* connotes *mantra* plus voice or based on voice. Just as a flower is supposed to be the beauty of a tree, so is the Sam Veda among the Vedas.

The last one is the Atharva Veda, having about 5,977 *mantras* of which about 1200 are found in the same shape as in the Rig Veda. Thus in size the place of the Arthava Veda is next only to the Rig Veda although its composition is said to be of much later period about which it is difficult to say with certainty.

Louis Renou has summed up like this :

"The Vedas : The Veda or 'knowledge' consists of a body of texts which though extending over many centuries (roughly from the 15th to the 6th Century B.C.) relate to a single religious system, the religion called Vedic. The most ancient documents are the Samhitas (collections), which contain principally versified praises addressed to the chief deities of the cult but also isolated formulae assigned for recitation in the course of the ceremonies, stanzas or groups of stanzas intended to be sung, incantations and finally prose passages expounding ritual."[18]

In the subject matter the Rig Veda has the fundamentals of all that is to be found in all the Vedas. Max Muller was rapturous about it.

The Brahman literature is roughly 16 in number. Each Veda has four of its Brahmanas. The Brahmanas give the details about when and how those mantras of the Vedas are to be used and applied.

The Aranyaka literature has given further details about Karmakand but slowly passes from the tangible to the intangible.

The Upanishad is the denouement of the whole evolution of the Vedic thinking. Its domain is mostly the intangible. It is the end of the Vedas, i.e., the Vedanta (*Veda*+*Anta*, end) The philosophy of the Upanishad is the Vedanta. In it there is the soaring flight of imagination par excellence. The very word Upanishad means *upa* (near) *ni* (down) and *shad* (to sit), i. e., to sit down near. In other words, Upanishad means "secret knowledge', while Veda means knowledge.

There are about 108 Upanishads of which the eleven important ones are *Isa, Kena, Katha, Prasna, Mundaka, Mandukya, Brhda, Aranakya, Chandogya, Aitareya, Taittirya* and *Svetasvatara.* Sankaracharya had his commentaries on these eleven, while about eleven centuries after him Radhakrishnan gave his on eight.

All these thus constitute the whole gamut of the Vedic literature. Economic thought has to be gleaned from it which is no ordinary feat. But before we discuss whatever we can it would be more clarifying if we take a glance at the socio-economic set-up of the people who gave us the Vedas and the Vedic literature. But again before we do so let us see what kind of people they were who composed the Vedas.

The Vedic people were the Aryans, who after separating from their Iranian brothers are said to have come to India from abroad. Before them there were the indigenous people who were the makers of what is called the Indus Valley Civilization with its seats at Harappa and Mohenjodaro (both of them now in Pakistan)—between 3200-2500 B. C. It was a highly urbanized civilization as proved by the archaeological excavations. It resembled the Dravidian culture of south India and the Sumerian culture of the Middle East. Anyhow, whether it was ended by a catastrophe, as opined by Gordon Childe, or was uprooted by the new comers, the Aryans, it is difficult to say. It might have been partly both. However, a century after its decline the Aryan migrations started coming into India and by 1500 B. C. they were settled around the Indus river.

And it goes without saying that they were like others of that period at the primary rung of civilization. They had to struggle hard against nature to maintain their existence. Their understanding of the forces of nature was limited. When they did not understand the acting of the forces of nature they attached some power of divinity to them. Their outlook was thus anthropomorphic. It happens so with every people at the dawn of civilization. Fredrick Engels wrote :

"All religion, however, is nothing but the fantastic reflection in men's minds of those external forces which control their daily life, a reflection in which the terrestrial forces assume the form of supernatural forces. In the beginnings of history it was the forces of nature which were at first so reflected, and which in the course of further evolution underwent the most manifold and varied personifications among the various peoples. This early process has been traced back by comparative mythology, at least in the case of

the Indo-European peoples to its origin in the Indian Vedas and in its further evolution it has been demonstrated in detail among the Indians, Persians, Greeks, Romans, Germans and, so far as material is available, also among the Celts, Lithuanians and Slavs.[19]

The Vedic hymns were just the outpourings of their awe and wonder at the working of nature. Rabindra Nath Tagore depicts those Vedic hymns :

"As a poetic testament of a people's collective reaction to the wonder and awe of existence. A people of vigorous and unsophisticated imagination awakened at the very dawn of civilization to a sense of the inexhaustible mystery that is implicit in life. It was a simple faith of theirs that attributed divinity to every element and force of Nature, but it was a brave and joyous one, in which the sense of mystery only gave enchantment to life, without weighing it down with bafflement—the faith of a race unburdened with intellectual broadening on the conflicting diversity of the objective universe though now and again illumined by intuitive experience..."[20].

Whenever they could not understand any power of nature they assumed some ulterior force, ealled god, working behind it. Thus there are so many gods in the Vedas as mentioned earlier. In fact these gods in the *Samhitas* were not as godly as they were understood to be in later times. This was because of the change in the socio-economic set-up about which we shall see later.

These early Aryans were pastoral people. Their economy was a pastoral one compared to that of the Indus Valley Civilization people, who were agricultural people. Cattle raising was their way of life and cattle were the wealth of the early Aryans. The very Sanskrit word 'go' (cow) means wealth. Their major wars were for the cattle.

Winternitz has given a graphic picture of their way of life like this :

"Rice—later the chief product of agriculture and the staple food of the Indians—is still quite unknown to the *Rig Veda*. Only barley is planted and, at the time of the hymns, agriculture as yet played only a small part. The chief source of income was cattle

rearing and the chief cattle was bullock.... Again and again in the songs and in vocations to the gods, the prayer for cattle and horses occurs. Also the strife amongst the hostile aboriginal inhabitants turns on the possession of cattle. Therefore, too, the old word for 'war' or 'battle' is originally 'desire for cattle' *(gavisti)*. In the most extravagant expressions, cows and bullocks are praised as the most precious possessions. The lowing of cows hastening to the calves is looked on by the ancient Indian as the sweetest music. 'The singers are shouting to the god Indra', says a poet, 'as mother cows low to the calf', gods are readily compared with bullocks, goddesses of food, but milk and butter formed an essential part of the sacrifices to the gods. The milk was by preference consumed warm as it came from the cow and Vedic poets marvel at the miracle that the 'raw' cow gives cooked milk."[21].

Such an economy was based on the very low means of production. Whatever was produced was consumed and there was no room for surplus production. The mode of production was collective. That collective mode of production was *Yajna*. "The word 'Yajna' is not a word but a sentence formed of *ya ja* and *na*. The root *ya* or *i* meant 'to go, to gather' ; *Ja* meant to beget ; *na an ant* were terminations signifying third-person-plural form of the verb. Thus put together the sentence meant, 'they gather together and beget'. What ? Things and children. Similarly, the word '*Yajus*' or Yajur in *Yajurveda* is a sentence. *Yaj* and *Us* or *Ur*. This *Ur* also is a phenomenal termination of third person plural, the whole meaning again. 'They gather together and beget'. Later on the sentence acquired the form of a noun *Yajna*, a mode of organization of production in common of things and men and *Veda* is the knowledge of this mode."[22]

"The Yajna is thus the collective mode of production of the ancient Aryan, before he developed private property, classes and State."[23]

The social frame-work of this *Jajna* mode of production was "a *Gana* (gentile) Organization, in which all members were related by blood, in which there was collective labour and property in the very early stages, no division of classes or castes, no state, no king, no exploiters and exploited ; it was a self-acting armed

organization of the people."[24]

Another name of this social framework of the Aryan collective was *Gotra*. "In the *Rig Veda* the word meant the cow stall or herd of cows."[24a]

The word *Go* in Sanskrit means Cow. "While the name *Gana* based itself on the act of production and producers (*Jana*), the name *Gotra* based itself on the production of the main source of wealth and food, namely cattle (Sanskrit—*Go*).[24b]

"The Aryan *Gana—Jana* and *Gotra* were, however, one and the same thing and were the basis of their economic and marriage relationship. *Gana* economy was of kin members and kins had common collective economy."[24c]

Thus taking the overall picture the socio-economic structure of the early Vedic people was the primitive communism stage of social development. All for one and one for all, was its motto. But such a situation could not have continued and did not continue in the early Vedic society as in the history of mankind in general. The means of production were slowly being developed, the production of surplus and its appropriation started coming into being. The society was getting divided into classes of the haves and the havenots. In the early primitive communism stage there was not even the division of the society in *Varnas*, but gradually *Varna* division came into being. With further progress the *Varnas* changed into castes.

From the *varna*-less, class-less, caste-less and stateless society the Vedic Aryan society evolved into a varna-class-caste-state dominated society by the time of the Mahabharata war in about 900 B.C. and the Upanishadic period in the 6th century B.C.

The Vedic literature, as pointed out earlier, covers the Upanishads which in fact came much later, i.e., till the Buddha period in the 6th century B.C. The actual writing of the texts of the Vedic literature is again of much later period. Until that period when it was put down in writing the whole Vedic literature was carried by memory. Hence it is also called '*Shrutis*' i.e., heard from generation to generation. In contrast to them there are *Smritis* which begin with the historical period, as known at present, and covers legends, histories, social customs

and laws, etc.

So by the time of the Upanishads, things which meant one thing during the Rig Vedic period, started being interpreted differently. For instance, as said earlier, the early Vedic people were guided by *Rita*, which meant some order, some law of the working of nature and the society. It maintained the universal harmony. But by the time of the Upanishad *Rita* was replaced by *Karma* and then by *Dharma*.[25]

In other words, the overall outlook of the early Aryans was proto-materialistic which changed into idealism and spiritualism as understood now. By the time of Upanishads idealism and spiritualism started merging in the philosophy of the Aryans. *Brahman* meant commune to the Rig Vedic Aryans but to the Upanishadic Aryans it started meaning creator and governor of the Universe.[26] The early Aryans had created gods too many as we saw earlier but the Upanishadic Aryans started thinking that gods had created them.

This was the basic change in outlook, from proto-materialism to idealism as graphically demonstrated by Debiprasad Chattopadhayay in his classical work *Lokayata, A Study in Ancient Indian Materialism*.

All these changes were because of the inherent contradictions. The Aryan society from pre-class stage was being propelled to change into a class society because of the rising forces. With the production of surplus came its appropriation and with it came into being private property for whose production the instrument of suppression, state, kinship etc., came into being. Old values based on the motto of "all for one and one for all" were dying out and new values based on greed, chicanery, treachery, etc. were slowly emerging from the womb of the past. It was this fundamental qualitative change slowly emerging on the horizon which made Bhisma bemoan the golden past in the *Shanti Parvan* of the *Mahabharata*. In the past, said Bhisma in answer to a question about the origin of kingship, "there was no kingdom and no king, no punisher and no punished (no State and no exploitation). By their very law of being, the people protected each other. Their derelictions were cured by public

censure."[27]. With this little background about the Vedic literature, the Aryan people, their socio-economic structure and their over-all outlook concerning the working of the universe, let us now proceed to their economic thought.

But whether economic, political, social or religious thoughts, all these are the reflections of man's mode of living, his way of producing his means of subsistence, the socio-economic milieu through which his existence is maintained. Thus the ideas no matter what they are, on the whole, and the products of his socio-economic set-up. And this is true not only of the history of India but history of mankind itself in general. Marx writes :

"The first premise of all human history is, of course, the existence of living human individuals. The first fact to be established, therefore, is the physical constitution of these individuals and their consequent relation to the rest of Nature.

"Men can be distinguished from animals by consciousnes ; by religion, or by anything one likes. They themselves begin to distinguish themselves from animals as soon as they begin to *produce* their means of subsistence, a step which is determined by their physical constitution. In producing their means of subsistence men indirectly produce their actual material life.

"The way in which men produce their means of subsistence depends in the first place on the nature of the existing means which they have to reproduce. This mode of production should not be regarded simply as the reproduction of the physical existence of individuals. It is already a definite form of activity of these individuals, a definite way of expressing their life, a definite *mode of life*. As individuals express their life, so they are What they are, therefore, coincides with their production, with what they produce and with how they produce it. What individuals are, therefore, depends on the material conditions of their production."[28]

The sum total of this mode of producing means of subsistence constitutes the economic structure which gets reflected in ideas, be they economic, political, legal, religious or anything else. Marx further explains :

"In the social production which men carry on, they enter into definite relations that are indispensable and independent of their

will ; these relations of production correspond to a definite stage of development of their material powers of production. The totality of these relations of production constitutes the economic structure of society—the real foundation, on which legal and political superstructures arise and to which definite forms of social consciousness correspond. The mode of production of material life determines the general character of the social, political and spiritual processes of life. It is not the consciousness of men that determines their being, but on the contrary their social being determines their consciousness. At a certain stage of their development, the material forces of production in society come in conflict with the existing relations of production or—what is but a legal expression for the same thing—with the property relations, within which they had been at work before. From the form of development of the forces of production, these relations turn into their fetters. Then occurs a period of social revolution. With the change of the economic foundation the entire immense superstructure is more or less rapidly transformed."[29]

And then Marx writes : "Just as our opinion of an individual is not based on what he thinks of himself, so can we not judge of such a period of transformation by its own consciousness ; on the contrary, this consciousness must rather be explained from the contradictions of material life from the existing conflict between the social forces of production and the relations of production."[30]

Economic thought, thus, of the Vedic Aryan was the reflection of their mode of production which was based on the *Gana-Gotra* communes in their early phase and which slowly and gradually got split into *varnas* and classes by the time of the Upanishads.

"All Vedic literature is dominated with but one demand and the measures for the fulfilment of that demand—namely, *wealth* meaning primarily *food* and more men (manpower)—*Dhanam* and *Praja*. The first : Dhanam, describes his instruments of production, his economic productive activity and, as an adjunct of of that, the second one *Praja*. All Vedic *Samhitas* contain abundunt material on these two questions."[31]

From the Rig Veda mantras to the Upanishadic songs are replete with the desires for food, with food demands, for food and

with a longing for food and this was quite natural. Although by the time of the Upanishads idealism with its soaring flights of imagination, specially in the Vedanta, was emerging. the overall basic outlook of proto-materialism had not been jettisoned. Either in direct demand for food, or when idealistic outlook got more firm and the hankering after food was being looked down upon, in every case the Upanishadic songs are full of food and wealth songs.

The difference is as there was the difference in the socio-economic structures of the early (Rig Vedic) and later (Upanishadic) Vedic period. The previous one was based on, as we saw before, was based on class set-up. The former was the stage when manual labour had not separated from mental labour while latter was when the appropriation of surplus came and with it the possibility of one living on the labour of another came into the picture and, thus, the separation of manual labour from the mental labour was completed.In the latter phase idealism replaced early proto-materialism because in society the leisure class came into being. Idealism in fact is the philosophy of the leisure class. Flights into the transcendental world in the Vedanta were because of the emergence of the leisure class in society.

Both in the oldest and later strata of the Rig Veda the following are a few illustrations of the food and wealth songs.[32]

"Then take thy seat with us amidst the gana and sing that we may obtain food—we who are singing." (addressed to Indra)

x x x x

"(O. Agni !) thou with those songs bring the wealth attended with food ; we shall serve thee with our service."

x x x x

"That Indra inspired and fulfilled the *desires of the Angirasas expressed in songs for food.*"

x x x x

"*Through Yajna the seers with desire got the cows with songs* from the giver of water (Indra) ; *sitting together with harmonious tunes* they attain wealth, wishing to protect the cows in praise of Indra."

x x x x

"*The singers go round thee (Indra) telling about food in all seasons,* they sing like the *sama* singers in both the metres Gayatri

and Tristubh and please the hearer."

"Agni increased much with the songs of the singers."

x x x x

"The Agni Vaisvanara, being realised as such in mind, *we invoke with songs in the Yajna, being desirous of food and wealth.* He is bountiful with a chariot, he comes to the places of *Yajna.*"

x x x x

"The havih offering placed on the *Kusa-grass* and the *songs make thee* (*the Asvins*) *come to us with food* in accordance with our wish."

x x x x

"Moreover, O Asvins, the rain-giver, the song of thy shining body nourishes us in the house sprinkled with these types of *Kusa*-grass, it gives us rain and gladdens man by the gifts, as the cow gives milk."

x x x x

"O *Maruts,* this panegyric is for thee ; this song came to us who respect thee and melt thee (to charity), that we may know the food, as the spoils of Victory, and meant for the (nourishment of the) body."

There are many such hymns which can be cited to demonsrate "the starkly materialistic character of the wish involved. There is nothing in it of the nature of spiritual values of heavenly bliss or of liberation *(moksa).* It is simply a deslre for food and the food is simply meant for the nourishment of the body.

"This is obviously the instinctive materialism or protomaterialism of the primitive peoples and even the later Vedic poets were yet to out grow it."[33].

And although by the time of the Upanishads they did outgrow it, there are the references to the chanting dogs singing "Om ! let us eat ; Om, let us drink !" Here is that relevant passage in the 12th Section of the first chapter of the *Chandogya Upanishad.*

"Now next tne Udigtha of the dogs, So Baka Dalbhya—or Glava Maitreya—went forth for Veda—study."

Unto him therere appeared a white dog. Around tnis one, other dogs gathered and said : 'Do you Sir, obtain food for us by singing. Verily we are hungry'.

Then he (the white dog) said to them : 'In the morning may you assemble unto me here at this spot.' So Baka Dalbhya,—or Glava Maitreya—kept watch.

Then even as (priests) here, when they are about to chant the *Bahispavamana Strota*, glide hand in hand, so did they glide on. Then they (the dogs) sat down and performed the preliminary vocalising (*himkara*).

(They sang) : 'Om ! Let us eat. Om ! let us drink ! Om ! Deva, Varuna, Prajapati, Savitri, gather food here. O Lord of Food ! Gather food here.—Yea, gather it here. Om !"[34]

These chanting dogs were not dogs as such but were rather human beings, "belonging to the dogs clan"[35], as the clans at that stage of social development were totemic clans. In totemism, each clan associates itself with an animal or a plant. There are many such clans named after some animals as mentioned in the Vedic literature.[36] And this was so with other totemic clans of the world and so even now among the tribal people at that stage of social development.

Thus the Vedic hymns are overflowing with the economic thinking of the Vedic people, albeit of a crude type for food and wealth in general. And as the Vedic people were pastoral people they invoked their wealth in terms of cattle, more cattle and still more cattle. It has been written :

"The principal means of livelihood to the Vedic Indian was cattle-breeding. His great desire was to possess large herds ; and in the numerous prayers for protection, health and prosperity, cattle are nearly always mentioned first.

"Agriculture, by contrast, had only a secondary importance in their lives and therefore also in the songs and rituals—of the Vedic peoples : 'at the time of the hymns, agriculture as yet played only a small part."[37]

Besides this concept of having more food and wealth in general, from the Vedic literature we find their sense of distribution too. And as the early phase was the stage of primitive communism, it was bound to reflect in their economic thinking about distribution which was to be equal.

In the Atharva Veda it has beed said that[38] there should

be equality in food and living.

When appropriation of surplus started and the society got split into classes, greed, rivalry and foul means, all these came into the picture which started being condemned from the previous communistic stage point of view. Such economic thinking of the Vedic Aryans gets reflected in their hymns.

In the Rig Veda we have that the wealth and property are changeable like the wheels of a chariot.[39]

Again : "Don't covet others' wealth. (10. 117.6)

"I tell the truth, such selfish production kills the producer."

(10. 117.6)

"One who does not spend one's wealth either on charity or gives to a friend is glaringly a sinner."

Thus we see when private property came into being in society and greed, selfishness and forceful appropriation of another's property came into the picture economic thinking got drawn towards such a new situation and this was something contrary to what was prevalent in the past. We saw how Bhisma was lamenting the past values. Such lamenting of the past system when wealth and property belonged to the whole society is revealed through these hymns vis-a-vis the new social phenomenon of selfish production and appropriation.

Now, we can sum up their economic ideas subject-wise. Division of labour : With the very increase of the population in society in general and the development of the means of production in particular the division of labour was inevitable and the people of the Vedic age grasped its significance. The members of the commune were allotted different tasks according to their capacities, and slowly as the allotment of different tasks according to their merits increased the surplus and made the society progress ; those allotments got crystallized into Varnas. In the beginning there were three Varnas—Brahmins, Kshatriyas and Vaishyas—but later the fourth—Shudra—came into being. Such a division added an impetus to the stability and progress of this society. Thus they stuck to it. In the beginning there was flexibility in this division into Varnas as they were based on profession and merits. Later with the further development of the productive

forces when the quantity of surplus and its appropriation by the individuals increased, rigidity crept in and Varnas changed into castes.

Thus in their economic thought the Vedic Aryans had good instinctive comprehension of the efficacy of division of labour for increasing production.

Dignity of Labour : In the early phase when the society was based on primitive communism and there was collective labour, the dignity of labour was high. But with the emergence of private property, the situation changed and manual labour was looked down upon. The fourth Varna came into being when the separation of manual labour from mental labour was near completion. Thus since the emergence of the haves and havenots in society by the Upanishadic times, the dignity of labour was lowered and kept on going down and down.

From the Vedic literature, thus, in their economic thinking we have two outlooks about labour—in the beginning high and later on, low.

Wealth : The Vedic Aryans had again that instinctive understanding about wealth. And as they were the pastoral people, their wealth was cattle. They counted their wealth in terms of cattle, more cattle and still more cattle.

Medium of Exchange : As exchange increased naturally they had to find out some medium of exchange and, again, naturally, cattle were their medium of exchange, i. e., money. From the Vedic literature we get such ideas.

The economic thinking of the Vedic Aryans revolved around these major economic problems. As the society was at an early stage of development naturally their thinking about economic matters was limited. As even agriculture had limited role in their daily life, their thinking was limited. But as there was some exchange of goods in society we find occasional references to Kraya-Vikraya[40] (purchase-sale) terms in the Vedic literature.

Ethical Outlook : Taking the overall picture, thus, with the emergence of class divisions in society, ethical or moral code [41] of looking at economic problems came into vogue. We saw earlier how in the Vedic hymns selfish production and being

tempted to others' wealth were condemned.

Since the emergence of the private property, classes and the state economic problems began to be looked from ethical and moral point of view which continued till the end of the medieval period in Indian as in world history.

In fine, in the Vedic literature, in the early phase of primitive communism we find the pragmatic and proto-materialistic approach while in the later phase of classes we have idealistic, moral and religious approach.

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CHAPTER II

THE *ARTHASHASTRA* : THE POLITICAL ECONOMY OF KAUTILYA

After the Vedic literature, although there are other works about which we will see in their due places, from which we come to know about economic thinking of that period, it is the *Arthashastra* of Kautilya which epitomises the economic thought of the ancient period and fore-shadows the trend of economic thinking for a long time to come in Indian history.

The very title shows what a great importance the Indian people attached to this branch of knowledge even in ancient period. Despite the emergence of the idealistic outlook in society in general the people had not cut their moorings from materialistic thinking. On the plane of materialism and economic thinking they could hold their own against any people of that time.

But before we come to all these we must have a glimpse of the author of the *Arthashastra* and of the changed socio-economic milieu which begot them.

To begin with, little that is reliable is known about the author of the *Arthashastra*.[1] There has been much discussion on the very name 'Kautilya' and its grammatical derivation.[1a] In fact. the exact name was "Kautalya" and not "Kautilya", and was derived from its owner's *gotra* which was 'Kutala'."[2] He was also called 'Chanakya' by his patronymic. "Chanakya" has been called the Indian Machiavelli."[3] writes Jawaharlal Nehru.

Niccolo Machiavelli (1469-1527) has been immortalized in history by his shortest writing *'The Prince'* of twenty-six brief chapters, published five years after his death.

"How to gain power and to keep it, that is the question Machiavelli was concerned with in *'The Prince'*. The ways presented are the successful ones, not the moral ones—for Machiavelli places a premium on success. It is his sole criterion for judging a prince. The end justifies the means. His is an amoral and

candid as well as brilliant study of the struggle to obtain and maintain power."[4]

"The end justifies the means", "how to gain power and to keep it", these are the quintessence of the overall philosophy of Chanakya too as found in his classical work 'the *Arthashastra*'. Machiavelli has been immortalized by his work '*The Prince*' and so has been Chanakya by his '*Arthashastra*'. And, thus, "to some extent the comparison is justified."[5]. But there were differences.

"But he was a much bigger person in every way, greater in intellect and action. He was no mere follower of a king, an humble adviser of an all-powerful emperor...Bold and scheming, proud and revengeful, never forgetting a slight, never forgetting his purpose, availing himself of every device to delude and defeat the enemy, he sat with the reins of empire in his hands and looked upon the emperor more as a loved pupil than as a master. Simple and austere in life, uninterested in the pomp and pageantry of high position, when he had redeemed his pledge and accomplished his purpose, he wanted to retire, Brahman-like, to a life of contemplation.

"There was hardly anything Chanakya would have refrained from doing to achieve his purpose ; he was unscrupulous enough ; yet he was also wise enough to know that this very purpose may be defeated by means unsuited to the end long before Clausewitz is reported to have said that war is only a continuance of state policy by other means...the statesman's objective must always be the betterment of the state...[6]

The ends and the means problem had some dialectical interdependence in Chanakya's conception of it. Such an understanding brings him nearer to Tilak and Lenin. In other words, the ethics of Chanakya, Tilak and Lenin had been one.[7]

Such a personage as Chanakya or Kautilya had his education at the famous seat of learning at Taxila (near Peshawar in Pakistan). The story says he was insulted in the court of the King Nanda at Pataliputra (modern Patna). Chanakya took a vow to make the Nanda dynasty pay for it. Then he picked up a like-minded youth Chandragupta Maurya and this combination worked well. After

due preparation and waiting the Nanda dynasty was smashed to pieces and Chandragupta Maurya was put on the throne of the kingdom of Magadh at Patliputra in 321 B. C. A centralized and powerful state came into being in the annals of India. Slowly it expanded roughly throughout the whole of India under Asoka, the grandson of Chandragupta Maurya.

The socio-economic milieu in which Kautilya and Chanragupta Maurya came into the picture was a full-fledged class society. It had the stage of slavery which was itself in decline. As we saw earlier, fire and cattle were the major means of production on which were based the *Gana* communes. These major means of production were ousted by the new ones—land and slavery i. e., the stage of primitive communism was replaced by the stage of slavery as it happened in other parts of the world. The instrument of exploitation of the dominated class by the dominant class—the state—in the shape of Kingship was emerging one after another. The Magadh state founded by Kautilya and Chandragupta Maurya was the culmination of the whole process. By that time the further development of the means of production had been undermining the foundation of slavery itself which was, however, not completely abolished. Kautilya and his *Arthasastra* were the products of such a growing socio-economic set-up.

There has been some controversy about the authorship, the authenticity and the time of the writing of the *Arthashastra*. But the agreed conclusion of that controversy is that—"the Arthasastra was originally written by Kautalya, the Minister of Chandragupta, and who was also known as Chanakya. It was edited and commented upon by various later writers until in about the third or fourth century A. D. Vishnugupta worked out the entire text, with whatever interpolations had occurred by then. The text as it is known to us today is in this later form of Vishnugupta's. Borrowing and similarities in the works throughout the centuries can be explained by the fact that only the original text was written at the end of the fourth century B. C."[8]

The original text was in verse form of 6000 slokas and was indited by Kautilya, according to Shamashastry, between 321-300 B. C. It was another person Vishnugupta whose name occurs

only once in the concluding verse of the work, who did the editing work in the third or fourth century A. D. It is divided into 15 parts or Books, 150 chapters and 180 sections. Shamashastry's translation of the 'Arthashastra' into English is in this shape (of 492 pages, 1967 edition).

The Theme of the Arthashastra : The theme of the *Artha-shastra* is the political economy, i. e., politics plus economics. Kamandak, in his introduction to the *Nitisara* (about fourth century A. D.), has called it "the nectre of the science of polity,"[9] churned from the ocean of political sciences. Dandi also in his *Dasakumarcharita* says :

"Learn then the Science of Polity.[10] Now this has been by the revered teacher Vishnugupta abridged into six thousand slokas in the interests of the Maurya (King) that, when learnt and well observed, it can produce the results expected from it."[11]

According to Banabahatta, the author of *Kadambari* and *Shri Harshavardhan* in the seventh century A. D., the *Arthashastra* is all "for the goddess of wealth."[12] Saunak has called the *Artha-shastra* an *Upveda* of the *Atharva Veda.*

Anyhow, the subject matter of the *Arthashastra* is varied from the cooking operation in the kitchen to the deployment of the armed forces in the battle-field, from the kinds of the gems in the treasury to the kinds of the bambooes in the forest, from the intricacies of the theory of the sovereignty of the state to the procedures of the *Harem,* from the duties of the king, ministers and officials to that of the hangman, from home affairs to external affairs, from the weight and measurement of the goods and commodities to the measurement of space and time. roughly every aspect of successful mundane life of the ruler and the ruled is dealt with.

Jawaharlal Nehru has summed up : "Chanakya's *Arthashastra* deals with a vast variety of subjects and covers almost every aspect of the theory and practice of government. It discusses the duties of the King, of his ministers and councillors, of council meetings, of departments of government, of diplomacy, of war and peace. It gives details of the vast army which Chandragupta had, consisting of infantry, cavalry, chariots and elephants. And yet Chandra-

gupta suggests that more numbers do not count for much ; without discipline and proper leadership they may become a burden. Defence and fortifications are also dealt with.

"Among the other matters discussed in the book are trade and commerce, law and law courts, municipal government, social customs, marriage and divorce, rights of women, taxation and revenue, agriculture, the working of mines and factories, artisans, markets, horticulture, manufacturs, irrigation and waterways, ships and navigations, corporations, census operations, fisheries, slaughter houses, passports and jails. Widow remarriage is recognized ; also divorce under certain circumstances.

"There is a reference to *Chinapatta*, silk fabrics of Chinese manufacture, and a distinction is made between these and the silk made in India,"[13]

As mentioned earlier, 150 chapters comprise all these things. But economic matters as such are covered in about 38 chapters while the rest deal with these political, social and other matters. Thus while only about one-fourth of the book deals with the ecnomic matters and the three-fourths with other matters, it is nevetheless entitled *Arthashastra*, i. e., economics. And Chanakya was fully justified in doing so, as the political and social aspects form the superstructure while the economic aspect is the structure. To know the political aspect it is imperative to diagnose the socio-economic make-up. And thus, it was the stroke of a genius when Chanakya called his work *Arthashastra*. Only Xenophon, his Greek contemporary, had his work called *Economics* while even Plato and Aristotle had theirs styled as economic ideas under *The Republic* and *The Politics* respectively. And, now, we shall proceed to discuss only the economic ideas of Kautilya as presented in the *Arthashastra*.

Arthashastra Defined :

At the very outset of his book Kautilya begins "This Arthashastras which, in view of acquisition and maintenance of the earth, have been composed by ancient teachers"[14].

Among the ancient teachers it is Shukra and Brihaspati to whom he pays his obeissance first : "Bow to Shukra and Brihas-

pati, who, tradition tells us, where two renowned teachers of the art and science of governance which naturally included economics."[15].

Shukra had defined Arthashastra like this ; "Arthashastra is that science which describes the actions and administration of Kings in accordance with the dictates of revelation and of law as well as the means to appropriate livelihood."[16].

But Kautilya defines : "The subsistence of mankind is termed 'artha', wealth ; the earth which contains mankind is termed 'artha or wealth' ; that science which treats of the means of acquiring and maintaining the earth is the Arthashastra, Science of Polity."[17].

The definition, thus according to Kautilya, boils down to that the Arthashastra or economics is the science of acquiring and maintaining wealth. To Kautilya "wealth and wealth alone is important" [18] while the rest depends on it for their realization.

This definition by Kautilya, we can see, is not much different from what the marginal utility economists were enamoured of in the late nineteenth century.

This definition gets further clarified when put in comparison with other definitions of other social services presented by Kautilya in his *Arthashastra*.

According to Kautilya there are only four kinds of social sciences : (1) Anvikshakti ; (2) The Vedas ; (3) Vrata ; and (4) Dandaniti.[19].

Anvikshakti deals with the philosophy of Sankhya, Yoga and Lokayata.

The Vedas deal with the righteous and unrighteous acts.

Varta deals with wealth and non-wealth. It comprises agriculture, cattle breeding and trade.

Dandaniti is the science of Government. *Danda* means the stick, i. e., punishment. "That which treats of *Danda* is the law of punishment or science of Government (dandaniti). It is a means to make acquisitions, to keep them secure, to improve them, and to distribute among the deserved the profits of improvement. It is on this science of government that the course of the progress of the world depends."[20].

Among all these social sciences, however, according to Kautilya, it is the Varta which is "most useful in that it brings in grains, cattle, gold, forest produce (Kypya) and free labour (Vishti).[21] It is solely throught Varta that the king can hold under his control both his and his enimy's party."[22]

Thus it is the Arthashastra, economics, the science of acquiring and maintaining wealth, which is the structure while the 'Dandaniti' is the superstructure. In other words, the state or the Government is an instrument of force for suppression and it is the reflection of the socio-economic system prevalent at the time.

Such a way of looking at the inter-relationship of the socio-economic system on one hand, and its reflection, the state or government on the other, is not far from the scientific view accepted in the present times.

Planning : It may sound too far fetched to say in modern terminology that Kautilya believed in planning the whole society. But it is too obvious from the *Arthashastra* that he wanted to control or regulate every aspect of life in every minute from top to the bottom. For instance, at the bottom, for cooking during the summer the house owner must have "five water pots (panch ghatinam), a Kumbha, a drona, a ladder, an axe, a winnowing basket, a hook, (such as is used to drive an elephant), pincers, (Kachagrahini) and a leather bag (drti)"[23]. But if he fails to have them, he shall be fined. And at the top, how the twenty-four hours of the day time and the night time of the King are to be utilized, Kautilya's directive principles run like this :

"He shall divide both the day and the night into eight nalikas ($1\frac{1}{2}$ hours).....

"Of these divisions, during the first one-eighth part of the day, he shall post watchmen and attend to the accounts of receipts and expenditure ; during the second part, he shall look to the affairs of both citizens and country people ; during the third, he shall not only bathe and dine, but also study ; during the fourth he shall not only receive revenue in gold (hiranya) but also attend to the appointments of superintendents ; during the fifth, he shall correspond in writs (patra samprashanena) with the assembly of his ministers, and receive the secret information gathered by

his spies, during the sixth, he may engage himself in his favourite amusements, or in self-deliberation ; during the seventh, he shall superintend elephants, horses, chariots, and infantry ; and during the eighth part, he shall consider various plans of military operations with his commander-in-chief.

"At the close of the day, he shall observe the evening prayer (Sandhya).

"During the first one-eighth part of the night, he shall receive secret emissaries, during the second, he shall attend to bathing and supper and study ; during the third, he shall enter the bed chamber amid the sound of trumpets and enjoy sleep during the fourth and fifth parts ; having been awakened by the sound of trumpets during the sixth part ; he shall recall to his mind the injunction of sciences as well as the day's duties ; during the seventh, he shall sit considering administrative measures and send out spies ; and during the eighth division of the night he shall receive benedictions from sacrificial priests, teachers and the high priest, and having seen his physician, chief cook and astrologer, and having saluted both a cow with its calf and a bull by circumambulating round them, he shall get into his court."[24]

Such was the concept of microscopic regulation that Kautilya had. And the macroscopic control is too glaring to be diluted upon. The entire socio-economic and political structure of society Kautilya wanted to bring under thorough command for its ever growing success and strength. No sector of the economy was to be bypassed. Thus in Kautilya's view of regulating the society we get the idea of village and town planning too.

The implementation of such planning was to be done, according to Kautilya, by a board of various superintendents and officials of various departments of the government. In the *Arthashastra* there is the specific mention of the superintendents of gold ; of stores house ; of commerce ; of forest produce ; of the armoury ; of the weights and measures ; of tolls ; of weaving ; of agriculture ; of liquor ; of slaughter-house ; of prostitutes ; of ships ; of cows ; of horses ; of elephants ; of chariots ; of infantry ; of passports ; of pasture lands of the city, etc.

These superintendents and officials were to be the appointees and were to be under the council of ministers of the King. Such a framework of the planning board, it goes without saying, in modern terminology, again, was bureaucracy galore.[25]

Thirdly, for making the control of the society a success, the tentacles of espionage were spread far and wide. Nay, by the picture of the espionage system that we get from the *Arthashastra* it is difficult to say who was not spying on whom. But despite this the state was far from being a police state.[25a]

Lastly, the kind of society in which Kautilya lived and for which he outlined such a thorough control was a full-fledged class and caste society. And his specific instruction was that "the king shall never allow people to swerve from their duties; for whoever upholds his own duty, ever adhering to the customs of the Aryas, and following rules of caste and division of religious life, will surely be happy both here and hereafter."[26]

Thus in such a class-and-caste-structured society to have a thorough control through the machinery of "widespread and rigid bureaucracy"[26a] was bound to produce in the words of Jawaharlal Nehru "an autocracy, a dictatorship at the top"[27] Nehru further writes :

"There was a great deal of local autonomy in the town and village units and the elective elders looked after these local affairs. This local autonomy was greatly prized and hardly any king or supreme ruler interfered with it. Nevertheless the influence and many-sided activities of the central government, were all-pervasive and in some ways this Maurya state reminds one of modern dictatorships."[27a]

In fact, some striking resemblance that one can trace in history of the kind of planned society that comes out from the *Arthashastra* of Kautilya is with that of *The Republic* of Plato. And "Plato's republic is a democracy."[28] Hence the way Plato visualized his republic to be planned with the philosopher-king at the top comes out to be visualized in the *Arthashastra* of Kautilya. The only difference is that what Kautilya outlined was greatly translated into action during the Maurya period while Plato's outlines remained mostly on paper. In fine, specifically in econo-

mic thought of Kautilya we get the concept of planning, although totalitarian, for the thorough mobilization of the resources of the society for its general welfare and progress. Kautilya's last advice to the King in the *Arthashastra* is :

"In the happiness of his subjects lies his happiness, in their welfare his welfare ; whatever pleases himself he shall consider as good."[29] "If a King is energetic, his subjects will be equally energetic."[30]

Agriculture and Land Tenure :

As said earlier, the Aryan people of India had long ceased being pastoral by the time of Kautilya. They had taken to agriculture. The means of production had developed. The old means of production—fire and cattle—had been ousted by the new ones—iron smelting, land and slavery. For the increasing population which could not live on cattle alone "the demand for agriculture increased. Hence felling of forests to clear land for cultivation became a necessity. That was not possible with the bronze weapons. Iron smelting was invented. The vast forests fell and land was put under the plough with the help of the Shudra slaves and Vaishya tillers.

"Cattle, which so far had held first place in the life of the *Ganas*, were pushed to the second place and *Bhumi* (land) took the first place as the means of production of the new age. Handicrafts separated from agriculture, the town from the countryside. Fight for land became the dominating passion of the Kshatriya leadership along with the fight to possess slave Sudras."[31]

Thus Kautilya's attaching of importance to agriculture was quite apt. It was agriculture, cattle breeding and trade, as we saw before, which constituted Varta through which the rest were to be achieved. In other words, agriculture was considered the basic source of new wealth. It was the source of revenue to the state. Thus it was to be put under the supervision of a superintendent who would take every possible step for its development.

The superintendent of agriculture would be, according to Kautilya, "possessed of the knowledge of the science of agriculture dealing with the plantation of bushes and trees (Krshitantragul-

amavrkshshayurvedaynah) or assisted by those who were trained in such sciences."[32] The superintendent would see to it that the agricultural work shall not suffer "on account of any want in ploughs (Karshanayantra) and other instruments or of bullocks."[33]. There would be proper arrangement by the state for irrigation, supply of good seeds, provision of manure of cow-dung, bones, etc., for raising two/three bumper crops.

In other words, according to Kautilya, the productivity of agricultural land is to be increased as far as feasible by modernizing them. Modernized or scientific farming that is what Kautilya prescribes in the *Arthashastra*. And it was the duty of the state to carry out that prescription.

But in a caste society of Kautilya, agricultural work was not open to all. It is meant only for two lower castes. But "a Brahmin could take to agriculture, provided he did not himself hold the plough."[34] Similar had been the injunction for the Kshatriyas. Thus the two higher castes were "entitled to adopt the cultivation of land."[35] but actually were debarred from doing the field manual work because of the rigidity of the caste system in Kautilya's time.

But concerning land ownership Kautilya's clear instruction was :

"Land may be confiscated from those who do not cultivate them and given to others."[36]

This means that land belongs to those who actually till it. Land to the tiller, a clarion call that Kautilya gave in his *Arthashastra* in the fourth century B. C., is not out of date even in the second half of the twentieth century in many parts of the world.

Such a land policy of Kautilya, then makes one surmise as if there was private ownership of land in his time. But this was not so, How ? But firstly, let us see the possibilities of the kinds of land ownership in his time. And about this it has been written :

"The possibilities of land ownership in Mauryan society are five, the King, the state, large-scale land owners, communal ownership and the cultivators. Nowhere in any of the sources is there even a hint of land being owned by the cultivators, and this is not surprising since most of them were Sudras."[37]

In two or three places in the *Arthashastra* there are references

to the crown lands, called *sita*.[38] "These are the lands owned personally by the King, the income of which formed part of what would be termed in modern times the privy purse."[39].

"The rest of the land theoretically would belong to the state."[40] About other land ownerships the picture would be clear if we would see how the villages were planned to be set up. In the *Arthashastra*, Kautilya wanted the villages to be brought under the following heads."[41].

(1) "Villages that were exempted from taxation (pariharaka) ;" (2) "those that supply soldiers (ayudhiya)"; (3) "those that pay their taxes in the form of grains, cattle, gold (hiranya) or raw materials (Kupya)"; (4) "and those that supply free labour (vishti) and dairy produce in lieu of taxes (Karapratikara)."

And it was the duty of Gopa, the village accountant to keep the account of five or ten villages.[42] And what kind of account this village accountant, Gopa, would keep, and about this Kautilya's specific guidelines are :

"Also having numbered the houses as tax-paying, or non-tax-paying, he shall not only register the total number of the inhabitants of all the four castes in each village, but also keep an account of the exact number of cultivators, cowherds, merchants, artisans, labourers, slaves and biped and quadruped animals, fixing at the same time the amount of gold, free labour, toll, and fines that can be collected from it (each house).

"He shall also keep an account of the number of young and old men that reside in each house, their history (charita), occupation (ajiva), income (aya) and expenditure (vyaya).[43].

And when a new village is to be made on a new site or on old ruins, Kautilya's specific outline was :

"Villages consisting each of not less than a hundred families and of not more than five hundred families of agricultural people of Shudra caste, with boundaries extending as far as a Krosa (2,250 yards) or two and capable of protecting each other."[44].

Thus we find that in the *Arthashastra* of Kautilya both the old and new villages were of all castes and kinds of people and those villages in relation to the ruling authority were of two kinds, tax-paying and non-taxpaying.

And non-taxpaying villages were of Brahmadeya lands. Kautilya writes : "Those who perform sacrifices (rtvik), spiritual guides, priests and those learned in the Vedas shall be granted Brahmadeya lands yielding sufficient produce and exempted from taxes and fines (adandkarani)."[45].

Then in the *Arthashastra* we have land grants made to certain Government officers like this :

"Superintendents, accountants, *gopas, sthanikas*, veterinary surgeons (anikastha), physicians, horse-trainers and messengers shall also be endowed with lands which they shall have no right to alienate by sale or mortgage.

"Land prepared for cultivation shall be given to taxpayers (Karada) only for life (ekapurushikani) ; unprepared land shall not be taken away from those who are preparing them for cultivation."[46].

So the possibility of large-scale landowners is to be found among such Brahmadeya landholders and government officers. But they were specifically debarred from, as seen above, selling or mortgaging them as personal properties. This would be further clarified by this specific injunction of Kautilya.

"Taxpayers shall sell or mortgage these fields to taxpayers alone ; Brahmans shall sell or mortgage their Brahmadeya or gifted lands only to those who are endowed with such lands ; otherwise they shall be punished with the first amendment."[47].

Thus in selling and purchasing land the landowners, no matter of what kind, were not allowed that freedom which generally private property landholders have. The basic idea that emerges from such details given in the *Arthashastra* is that Kautilya believed that land basically belonged to the community or state in general and it was meant for use and scientific cultivation ; and whosoever did not do so was to be deprived of any landownership. And it was in this sense when Kautilya wrote that lands might be confiscated from those who do not cultivate them and be given to others. Hence 'land to the tiller' idea was not off the mark then as now.

Thus Kautilya's thinking about landownerships was towards community ownership of land. Although this system of communal ownership of land got firmly established "quite a few centuries

after the Mauryan period"[48] and continued right up to the establishment of the British rule in India in mid-eighteenth century A. D."[49] it can't be said that Kautilya's thinking did not pave the way for it.

Besides, Kautilya thought land to be the base of all wealth because, as we saw above, his very definition of Arthashastra says that "the earth which contains mankind is termed artha—wealth." And this may smack of physiocratic thinking of the eighteenth century A. D. but it should not be surprising because of the age in which Kautilya lived.

Mines and Manufactures :

Just as Kautilya was interested in the thorough development of agriculture so was he in that of mines and manufactures. No doubt as his age was the age of slavery, agriculture had been the way of life of the people of that time. But as we saw before, handicraft industries had also made a good start. And although Kautilya thought of agriculture as the major base of wealth of the society, the budding handicraft and other industries had also their contribution to make to it. So Kautilya wanted the thorough exploitation of the minerals for industrial development. And in his *Arthashastra* he put them under the care of a superintendent as agriculture and other branches were under their respective ones.

Chapter thirty-three of the *Arthashastra* is entitled : "Conducting Mining Operations and Manufacture." And Kautilya begins :

"Possessed of the knowledge of the science dealing with copper and other minerals (sulbadhatusastra), experienced in the art of distillation and condensation of mercury (yasapaka) and of testing gems, aided by experts in mineralogy and equipped with mining labourers and necessary instruments, the superintendent of mines shall examine mines which, on account of their containing mineral excrement (Kitta), crucibles, charcoal, and ashes, may appear to have been once exploited or which may be newly discovered on plains or mountain slopes possessing mineral ores, the richness of which can be ascertained by weight, depth of colour, piercing smell and taste."[50].

Then he goes into the details of various kinds of ores and the various methods of purifying them. Kautilya was very particular in using the best available mixtures and chemicals in purifying them. And the yields of the mines would be put to "such uses as are in vogue"[51] in society. All these activities and even commerce "in commodities manufactured from mineral products shall be centralized."[52].

Nay, Kautilya was particular about agro-industries too. He writes : "Manufactories to prepare commodities from forest produce and forests productive of commodities shall also be set up."[53] Thus we find that Kautilya was as much interested in the industrial development as in the agricultural development. The real strength of the society and the state, Kautilya knew, comes from the balanced growth of both the sectors of the economy.

Commerce : As we saw above, Kautilya considered trade as one of the ingredients of *Varta*, which was the base of all wealth. Thus he attached great importance to trade and its development for the augmentation of wealth. He was very meticulous in prescribing rules and regulations for the sale and purchase of the merchandise from three kinds of trade.[54] : (1) "internal (abhayantaram, i. e. manufactured inside forts)" ; (2) "external (bāhyam, i. e., arriving from country parts" ; (3) "foreign (ātithyam, i. e., imported from foreign countries)".

For regulating these kinds of trade he put them under the supervision of the superintendent of commerce. Kautilya writes in his *Arthashastra* :

"The superintendent of commerce shall ascertain demand or absence of demand for, and rise or fall in the price of various kinds of merchandise which may be the products either of land or of water, and which may have been brought in either by land or by water-way. He shall also ascertain the time suitable for their distribution, centralization, purchase, and sale.

"That merchandise which is widely distributed shall be centralized and its price enhanced. When the enhanced rate becomes popular, another rate shall be declared.

"That merchandise of the King which is of local manufacture

shall be centralized ; imported merchandise shall be distributed in several markets for sale. Both kinds of merchandise shall be favourably sold to the people.

"He shall avoid such large profits as will harm the people. There shall be no restriction to the time of sale of those commodities for which there is frequent demand ; nor shall they be subect to the evils of centralization (sankuladosha).

"Or pedlars may sell the merchandise of the King at a fixed price in many markets and pay necessary compensation *(Vaidharna)* proportional to the loss entailed upon it *(Chhedanurupan)*.

"The superintendent shall show favour to those who import foreign merchandise ; mariners (navika) and merchants who import foreign merchandise shall be favoured with remission of trade-taxes, so that they may derive some profit (ayatikshamam pariharam dayat)."[55]

Thus from the above we see that Kautilya's basic policy of commerce was that (1) the merchandise which is widely distributed shall be centralized" ; (2) both local and imported merchandise "shall be favourably sold to the people" ; (3) "large profits as will harm the people" shall be avoided ; (4) pedlar may sell at fixed price "in many markets" ; (5) commodities of frequent demand shall not be subject to "the evils of centralization" ; and (6) favour would be shown to the foreign merchandise.

This means that the major goods and commodities of the peoples' requirements should be under the state control while there should be ample room for small enterprises and vendors for small business. But all such transaction should be at state-fixed prices so that no harm be caused to the common people. Just as Kautilya's concept of planning, which we saw earlier, implied that the commanding heights of the economy should be under state control, so in commerce too the key points, including export and import, should be under state control for the betterment of the people.

For facilitating this Kautilya wanted a state store-house to be set up under the care of a separate superintendent. In the *Arthashastra* for the store-house is termed as 'Koshthagara'. "Koshta' means belly, and implies therefore all the necessities of life.

Hence Koshtqagara is the house wherein all the necessities of life are stored."[56]

"Of the store thus collected," writes Kautilya, "half shall be kept in reserve to ward off the calamities of the people, and only the other half shall be used."[57].

Then Kautilya laid down various rules and regulations for and against the small traders, artisans, weavers, washermen, scavengers, medical practitioners, musicians and others. Any deviation on the part of any of them from the chalked out directives would be duly punished according to Kautilya. He would brook no restrictive trade practice on the part of the merchants and so he wrote :

"Merchants who conspire either to prevent the sale of merchandise or to sell or purchase commodities at higher prices shall be fined 1000 panas."[58].

Similarly Kautilya would show no quarters to those who resorted to adulteration of any kind, specially in food stuffs and in medicines.[59].

About the weights and measurements of the goods and commodities, about prices and profits how Kautilya was particular we shall see later on.

In fine, in the age of Kautilya trade and commerce and cash economy were after all just budding and barter had not lost its predominance. Both the methods of trade were in vogue in Kautilya's time. So his definition of commerce is : "Sale proceeds of grains, grains purchased and the collection of interest in kind, grain debts (prayogapratyadana) are termed commerce". And by barter, Kautilya meant : "Profitable exchange of grains for grains is termed barter *(parivarthana)*."[60]

And for the development of trade and commerce, Kautilya was equally interested in the development of infrastructure. He has specifically mentioned about the routes.[61] He preferred the land to the water route but was interested in the development of both. Besides, he was not oblivious of the suitable kinds of conveyances for the spread of trade and commerce.

Public Finance and Taxation :

It was Varta, the national economy, on which depended the

public finance as pointed out by Kautilya in his *Arthashastra*. It was solely through Varta, according to Kautilya, that the treasure for the state was obtained. There were various centres and avenues through which the income to the state coffer would flow. And the basic guideline for increasing the strength of the state treasury, according to Kautilya, was :

"Just as fruits are gathered from a garden as often as they become ripe, so revenue shall be collected as often as it becomes ripe. Collection of revenue or of fruits, when unripe, shall never be carried on lest their source may be injured, causing immense trouble."[62].

With this guideline he wanted the collector-general of revenue of the state to work. The various centres through which the revenue was to be raised was also indicated by Kautilya like this :

"The collector-general shall attend to (the collection of revenue from) forts (durga), country parts (rashtra), mines (khani), building and gardens (setu), forests (vana), herds of cattle and roads of traffic (vanikpatha).

1. "Tolls, fines, weights and measures, the town-clerk (nagaraka), the superintendent of coinage (lakshanandhyak-shah), the superintendent of seals and passports, liquor, slaughter of animals, threads, oils, ghee, sugar (Kshara), the state goldsmith (sanvarnika), the warehouse of merchandise, the prostitute, gambling, building sites *(Vastuka)*, the corporation of artisans and handicraftsmen *(Karusilpiganah)*, the superintendent of goods, and taxes collected at the gates and from the people (known as) *Bahirkas* come under the head of forts.

2. "Produce from crown lands *(sita)*, portion of produce payable to the government *(bhaga)*, religious taxes *(bali)*, taxes paid in money (*Kara*), merchants, the superinteddent of rivers, ferries, boats and ships, towns, pasture grounds, road cess (vartani), ropes (rajju) and ropes to bind thieves (*chorajju*) come under the head of country parts.

3. "Gold, silver, diamond, gems, pearls, corals, conch shells, metals (*loha*), salt and other minerals extracted from plains and mountain slopes come under the head of mines.

4. "Flower, gardens, fruit gardens, vegetables, gardens, wet

fields and fields where crops are grown by sowing roots for seeds (mulavapah), i. e., sugarcane crops etc., come under *setu*.

5. "Game forests, timber forests, elephant forests and forests.

6. "Cows, buffaloes, goats, sheep, asses, camels, horses and mules come under the head of herds.

7. "Land and water ways are the roads of traffic."[63].

"All these form the body of income (ayasariram)"[64] said Kautilya. Then he made certain suggestions for the possibilities of further income to the state. "Capital (mula), share (bhaga), premia (vyaji), parigha, fixed taxes, premia on coins (rupika) and fixed fines (atyaya) are several forms of revenue (ayamukha, i. e., the mouth from which income is to issue)."[65]

Besides these main seven centres then, there are various avenues of taxation through which revenue would be raised according to Kautilya. And here again the main principle of taxation that he outlined was :

"The tax system should be such as not to prove a great burden on the public. The King should act like the bee which collects honey without inconveniencing the plant."[66].

To simplify it, Kautilya wanted : "(1) A tax should be levied once a year and should not prove burdensome; (2) Taxes should be levied according to the *ability to pay*."[67]

Being guided by these principles, the various taxes that Kautilya enumerated are : [68] (1) "taxes that are paid in the form of one-sixth of produce (shadbhaga)" ; (2) "taxes that are fixed (pindakara) ; (3) "provisions paid (by the people) for the army (Sevabhakta)" ; (4) "taxes or subsidies that are levied for religious purposes (bali)" ; (5) "taxes or subsidies that are paid by vassal kings and others (kara)" ; (6) "taxes that are specially collected on the occasion of the birth of prince (utsava)" ; (7) "taxes that are collected when there is some margin left for such collection (parsva)" ; (8) "compensation levied in the shape of grains for any damage done by cattle to crops (parihinaka)" ; (9) "presentatation made to the King *(anpayanika*)" ; (10) "taxes that are leived on lands below tanks, lakes, etc., built by the King (Kanstheyaka)."

Among all these taxes the land revenue from the subjects,

which was normally one-sixth of the produce formed the major source of income to the state. But during the "great financial trouble" this may be raised to "one-third or one-fourth of their grains, according to their capacity."[69] But Kautilya made exemptions to those "who have not enough subsistence."[70] But "wealthy persons may be requested to give as much of their gold as they can."[71]. "The entire property of goldsmiths shall be taken possession of ; and no offence of theirs shall be forgiven."[72] Kautilya did not want to spare the property of the temples either. He writes : "The superintendent of religious institutions may collect in one place the various kinds of property of the gods of fortified cities and country parts, and carry away the property (to the king's treasury)".[73]. But those who volunteer and "of their own accord or with the intention of doing good, offer their wealth," "shall be honoured."[74]. And all such emergency "demands shall be made only once and never twice"[75], according to Kautilya. He had also made provisions for the remission of taxes in cases of the construction of development works, like tanks, lakes, etc[75a]

The state treasury thus being filled with the incomes flowing from various sides and by various means, Kautilya then catalogued the various items of public expenditure thus :

"The chanting of auspicious hymns during the worship of gods and ancestors and on the occasion of giving gifts, the harem, the kitchen, the establishment of messengers, the store-house, the armoury, the warehouse, the storehouse of raw materials, manufactories (Karmanta), free labourers (vishti), maintenance of infantry, cavalry, chariots, and elephants, herds of cows, the museum of beasts, deer, birds and snakes, and storage of firewood and fodder constitute the body of expenditure (vyayasariram)"[76].

Completing thus the balance sheet of the income and expenditure, Kautilya sums up that the wisdom of sound financial policy lies in "increasing the income and decreasing the expenditure."[77]

Taking the overall financial and taxation policy as outlined by Kautilya in his *Arthashastra*, it can be said that if he wanted to boost up the state treasury by all possible means he had not cut his moorings from the concept of social benevolence.

Slavery and Labour :

Megasthenes' writing that there was no slavery in India in the fourth century B. C. triggered off a lot of debate on it. The debate has been concluded by now that "he was wrong, as there were certainly domestic slaves and there are references in Indian books of the period to improving the lot of slaves."[78].

As said earlier, by the time of Kautilya slavery was on its decline although not abolished. In Kautilya's *Arthashastra* the seventieth chapter is entitled "Rules Regarding Slaves and Labourers". Thus slavery was a fact of the then Indian society. As an economist, therefore, Kautilya's thinking about slavery was quite pertinent.

But Kautilya's ideas about slavery would be clearer if we will recall that the then society of Kautilya's time was a class-and caste-structured society. Kautilya's repeated reference to four castes in the *Arthashastra* makes it amply corroborated. He had no compunction in approving of an outcaste being made a slave.'[79] "But never shall an Arya be subjected to slavery"[80], writes Kautilya. But in order to tide over family troubles, to find money for fines or court decrees, or to cover the (confiscated) household implements, the life of an Arya is mortgaged, they (his kinsmen) shall as soon as possible redeem him (from bondage); and more so, if he is a young or an adult capable of giving help"[80a]

Nehru has commented on it : "Who was an Arya and who was not, difficult to say, but the Aryan fold at that time had come to mean rather vaguely all the four castes, including the Shudras but not the untouchables."[81].

Anyhow, Kautilya was in favour of the mitigation of slavery and thus outlined certain rules for it in the *Arthashastra*.

Kautilya writes : "Employing a slave to carry the dead or to sweep ordure, urine, or the leavings of food ; or a female slave to attend on her master while he is bathing naked ; or hurting or abusing him or her, or violating (the chastity of) a female shall cause the forfeiture of the value paid for him or her."[82].

Again : "The ranom necessary for a slave to regain his free-

dom is equal to what he had been sold for."[83] "Failure to set a slave at liberty on the receipt of a required amount of ransom shall be punished with a fine of 12 panas ; putting a slave under confinement for no reason (samrodhas-Chakaranat) shall likewise be punished"[84]. "The property of a slave shall pass into the hands of his kinsmen."[84a]

Such mitigating steps are not to be found in the picture of slavery presented in *Uncle Tom's Cabin.*

Besides the slaves, there were other kinds of labourers too about whom Kautilya made rules and regulations. He, however, put all of them under one nomenclature, vishti. He writes :

"Sweepers, preservers, those who weigh things (dharaka), those who measure grains etc., those who supervise the work of commodities to the store-house (dapaka), those who supply commodities (dayaka), those who are employed to receive compensation for any real or supposed error in measuring grains, etc. (satapratigrahaka) ; slaves and labourers—all these are called vishti."[85]

In fact these drawers of water and hewers of wood were the real producers of wealth. There were female labourers too and Kautilya believed that female labourers should help men in productive activities, specially in spinning etc.,[86] And he had equally made provision for the female labourers as for the men. He further wanted the prisoners (dandapratikartr) to be used in productive activities, specially in agricultural work on crown lands.[87].

In fine, Kautilya believed in the thorough mobilization of all possible hands for the increase of the wealth of the society.

Wages, Price and Profit :

The labourers were paid wages, either in kind or in money. And Kautilya was very particular in seeing to it that the salaries and wages from the top minister down to an agricultural labourer were fixed and any infringement of the rules laid down by him would be duly punished. Here, to say that there was the wage system in Kautilya's time may be a little incomprehensible because of the prevalence of the wage system is the phenomenon of capitalism which came much later after Kautilya. But it should not be surprising. The Magadh Empire whose theoretician Prime

Minister Kautilya was, had a vast army.[88] And it was because of the army that the wage system and money and other innovations in social relationships came into being in the very ancient time. Marx writes :

"The history of the army brings out more clearly than anything else the correctness of our conception of the connection between the productive forces and social relations. In general, the army is important for economic development. For instance it was in the army that the ancients first developed a complete wage system. Similarly among the Romans the *pcculium castrense* (camp property) was the first legal form in which the right of others than fathers of families to movable property was recognised. So also the guild system among the corporation of faleri (artisan attached to the army). Here too the first use of machinery on a large scale, even the special value of metals and their use as money appears to have been originally based, as soon as Grimm's age was passed, on their military significance. The division of labour within one branch was also first carried out in the armies. The whole history of the forms of bourgeois society is very strikingly epitomized here....."[89].

Thus there is nothing to be surprised at the wage system prevalent in Kautilya's time, no matter at what rudimentary stage it was.

So the wages of the labourers were to be fixed. And according to Kautilya "the amount shall be fixed in proportion to the work done and to the time spent in doing it (*Karmakarlanurupam* at the rate prevailing at the time)."[90]

For wages previously unsettled, Kautilya fixes :

"A cultivator shall obtain 1/10th of the crops grown, a herdsman 1/10th of the butter clarified, a trader 1/10th of the sale proceeds."[91]

Thus for the agricultural and manufacturing labourers, Kautilya wanted the wages to be fixed. He repeats :

"Cultivators or merchants shall, either at the end or in the middle of their cultivation or manufacture, pay to their labourers as much of the latter's share as is proportionate to the work done. If the labourers, giving up work in the middle, supply substitutes,

they shall be paid their wages in full.

"But when commodities are being manufactured, wages shall be paid out according to the amount of work turned out ; for such payment does not effect the favourable and unfavourable results on the way (i. e., in the sale of merchandise by pedlars)."[92].

Then Kautilya was specific about piece wages vis-a-vis time wages. About piece wages he writes :

"Wages shall be fixed according as the threads spun are fine, coarse (sthula, i.e., rough) or of middle quality and in proportion to a greater or less quantity manufactured, and in consideration of the quantity of thread spun..."[93].

And about time wages, Kautilya writes : "Weaving may also be done by those artisans who are qualified to turn out a given amount of work in a given time and for a fixed amount of wages."[94]

For increasing production, Kauiltya believed in giving incentives to the workers. He writes :

"Those (who turn out a greater quantity) shall be presented with oil and dried cakes of myrobalan fruits (taitamalakodvartasnaih).

"They may also be made to work (on holidays) (tilhusu) by payment of special rewards (*prtivapadanamanaih*)"[95]

In fine, according to Kautilya, wages were dependent on what the wage-earners produced.

Price :

The conception of price that we get in the *Arthashastra* of Kautilya is the cost price concept. The price of a commodity is dependent on the costs incurred in producing it. He writes :

"The superintendent (of commerce—S. C. J.) shall, on consideration of the outlay, the quantity manufactured, the amount of toll, the interest on merchandise with due regard to its having been manufactured long ago, or imported from a distant country (*desakalantaritanam panyanam*)"[96]

Thus taking the various components which constitute the cost of a commodity into consideration, Kautilya wanted the prices to be fixed by the state and any violation of this rule was to be sternly dealt with. But Kautilya was not oblivious of the working

of the forces of demand and supply which creep in and so he left some room for making changes in the prices as the situation arose. He writes :

"In case of failure to sell collected merchandise wholesale at a fixed rate, the rate shall be altered."[97]

He is further unambiguous when there is an excessive supply like this :

"Whenever there is an excessive supply of merchandise, the superintendent shall centralize its sale and prohibit the sale of similar merchandise elsewhere before the centralixed supply is disposed of."[98]

Similar is his prescription for the perishable commodities which come more under the ambit of supply and demand.

"Merchandise which is likely to perish sooner may, if there is no loss to others, be shown the favour of early disposal by prohibiting the sale elsewhere of similar merchandise which is not likely to perish soon."[99]

Under the excessive demand, how the price is affected, Kautilya writes :

"Under the fear of bidders (enhancing the price), the price of any merchandise is increased beyond its proper value.[100]

The rules for the fixation of the prices thus being laid, Kautilya was very strict in the correct weighing and measuring of the goods and commodities. His clear guideline was that the "commodities shall be sold only after they are precisely weighed, measured and numbered."[101]

And he wanted that the wholesale dealing in such merchandise commodities whose prices were duly fixed, should be done by only the "authorised persons."[101a] of the state. Any conspiracy or machination to subvert his scheme of correctives the stability of prices would be dealt with proper measure. His clear warning to the merchants and middlemen, as said earlier, against trade restrictive practices was like this :

"Merchants who conspire either to prevent the sale of merchandise or to sell or purchase commodities at higher prices shall be fined 1000 *panas*.

"Middlemen who cause to a merchant or a purchaser the loss

by substituting with tricks of hand false weights or measures or other kinds of inferior articles be punished with a fine of 200 *panas*.

"Fines for greater losses shall be proportionally increased commencing from 200 panas."[102].

And Kautilya's last counsel to the merchants was : "Hence shall merchants be favourably disposed towards the people in selling grains and other commodities."[103].

Among the people in general, he was again specific about the wage-earners. Kautilya writes :

"Favourably disposed towards the people, shall merchants sell this centralized supply for daily wages."[104].

In conclusion, then, Kautilya's concept of price was the cost price concept ; and he believed in the stability of the prices ; and he took every care to protect the common people from the overt or covert malpractices of the merchants.

Profit :

Profit has such sociological connotation in Kautilya's *Arthashastra*. He writes :

"The characteristics of an expected profit are : that which is recivable, that which is to be returned, that which pleases all, that which excites hatred, that which is realized in a short time, that which entails little loss of men to earn, that which entails little loss of wealth to earn, that which is vast, that which is provocative, that which is harmless, that which is just, and that which comes first."[105].

"Obstructions to profit are : passion, anger, timidity, mercy, bashfulness, living like one who is not an Arya, haughtiness, pity, desire for the other world, strict adherence to virtuous life, deception, neediness, envy, negligence of what is at hand, generosity, want of faith, fear, negligence, inability to endure cold, heat and rain, and faith in the auspiciousness of lunar days and stars."[106]

But strictly from economist's point of view also Kautilya's stand is explicit.

Profit, according to Kautilya, is the excess of the return that can be got in the exchange for a commodity after meeting the outlay incurred in its production plus the various charges levied

on it before its disposal. From the following, such an understanding can be got :

"Having ascertained the value of local produce as compared with that of foreign produce that can be obtained in barter, the superintendent (of commerce—S. C. J.) will find out (by calculation) whether there is any margin left for profit after meeting the payments (to the foreign king, such as the toll sulka, road cess vartani, conveyance cess ativihika, tax payable to military stations (gulmadeya), ferry charges(teradeya), subsistence to the merchants and his followers (bhakta), and the portion of merchandise payable to the foreign king (bhaga)."[107]

But this margin of profit must be fixed, specially in internal trade and in no case it should be exhorbitant lest it be harmful to the people. As Kautilya was particular in fixing the prices of the commodities, so was he in fixing in limits to the rate of profit. He writes : "The superintendent of commerce shall fix a profit of five per cent over and above the fixed price of local commodities and ten per cent on foreign produce.'.[108]

In fine, Kautilya believed in planned profit. The unrestrained race for profiteering, according to him, is harmful to the progress of the people and the society in general.

Money, Capital and Interest :

Money, according to Kautilya, was both as a medium of exchange (*vyavaharikim*) and as legal tender admissible into the treasury (*kosapravesyam*)."[109]

By the time of Kautilya metals had come into vogue for use as money. So the entire monetary system is to be put under the supervision of the superintendent of mint and the examiner of coins of the state. "The superintendent of mint (lakshanadhyakshah) shall carry on the manufacture of silver coins (rupyarupa) made up of four parts of copper and one-sixteenth part (masha) of any one of the metals, tikshna, trasu, sisa, and anjava). These shall be apana, half a pana, a quarter and one-eighth.

"Copper coins (*tamrarupa*) made up of four parts of an alloy (padjivam) shall be a mashaka, half a mashaka, kokami and half a kokami).

"The examiner of coins (*rupadarasaka*) shall regulate cur-

rency."[109a]

Besides silver, copper and other metals, gold was also used for money. He writes : "In accordance with the instructions given.....silver and gold may be given in exchange."[110] And consequently Kautilya stood for the free coinage of gold and silver. He writes :

"The state goldsmith shall employ artisans to manufacture gold and silver coins (*rupyasuvarna*) from the bullion of citizens and country people.

"(The goldsmith of the mint) shall return to the owners coins and ornaments of the same weight and of the same quality (varna) as that of the bullion (nikshepa) which they received (at the mint). With the exception of those (coins) which have been worn out or which have undergone diminution (kshinaparisirna), they shall receive the same coins (back into the mint) even after the lapse of a number of years."[111]

In other words, Kautilya's monetary policy, as presented in his *Arthashastra*, is the policy of bimetalism which roughly was in vogue in that age and for long afterwards everywhere in the world. And, as in other matters, any infringement of his monetary policy would be dealt with due amendment. He had laid stringent measures against the manufacture and counterfeit exchange of currency.[112]

Capital

According to Kautilya, the base of all wealth or capital, as we saw before, is Varta which included agriculture, cattle-breeding and trade. But gold or bullion is the concentrated form of all these. Hence : "possession of gold is ever desirable" [113] according to him. But "gold can be acquired by means of territory,"[114] added Kautilya. Thus, in Kautilya's thinking gold has much importance next only to land. But Kautilya believed that wealth in its concentrated form, gold, can be easily put to various economic productive activities which will beget more wealth and it was in this sense that he wrote : [115] "Wealth is bound by wealth," "wealth is the star for wealth."

Interest

Interest taking was justified according to Kautilya. Borrowing

money from the government treasury or from the private individuals was fully sanctioned by him. "Lending the money of the treasury on periodical interest is a loan" [116], writes Kautilya.

But as it was his wont, he was very careful in prescribing the rates of interest. And this rate of interest further varied from class to class, i. e., "it depended on the caste of the borrower, the purpose for which money was borrowed, the likely advantage to be reaped, economic resources of the borrower, etc."[117]

In Kautilya's own words the various justified rates of interest were as follows :

"An interest of a pana and a quarter per month is just. Five panas per month per cent is commercial interest (Vyavaharika). Ten panas per month per cent prevails among forests. Twenty panas per month per cent prevails among sea traders (samudranam)... Interest in grains in seasons of good harvest shall not exceed more than half when valued in money. Interest on stocks (prakshepa) shall be one-half of the profit and be regularly paid as each year expires. It is allowed to accumulate owing either to the intention or to the absence abroad (of the receiver or payer), the amount payable shall be equal to twice the share or principal (mulyadvigunah)..."[118].

And any non-compliance with the rules laid down by him would be duly punished. Both the creditor and debtor were strictly bound to follow the rules and regulations chalked out by him.[119]

In fine, interest was a part of profit in Kautilya's conception of it.

To sum up :

Kautilya or Chanakya, as he was called, shines like a meteor in the firmanent of the ancient Indian economic thought. He is the classical negation of the age-old allegation that the Indian people are more other-worldly than this-worldly. As he was conditioned by the age and the time in which he lived, he had his limitations. But he saw more than others and saw more strongly than others.

In economic matters his analysis was very penetrating which is not irrelevant even now. He believed in the state intervention in the economy ; he stood for planning the whole society, specially

with the commanding heights of the economy under state control ; he wanted to have scientific farming and rapid industrial development ; social welfare and social security policy was the sheet anchor of his over all economic policy ; he brooked no high profiteering, no smuggling and no restrictive trading practice ; he was ever on his guard against any kind of corruption among government officials and ministers ; he wanted to maintain the stability of prices. These are the burning problems of even today.

In fine, Kautilya's *Arthashastra* epitomized the ancient Indian economic thought in general.

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CHAPTER III

ECONOMIC THOUGHT OF HINDUISM IN GENERAL

Between the Vedic age and the age of Kautilya, there was a long period in which there occurred great historical developments. During this period there had been (1) the Rama-Ravana War; (2) the Mahabharata War; (3) the rise of the Buddha and Mahavira and their 'isms'. During such developments, as we saw earlier, the Indian society got divided into classes and castes; there was the origin of private property and, for the protection of such class and caste interests, the instrument of force, the state (as a Danda), had emerged. The stage of primitive communism had been left far behind and the stage of slavery was ushered in. But by the time of Kautilya, even slavery was on its decline and the state and the class-and-caste structure of the society had taken clear-cut shape. And we saw how Kautilya kept always the the four-caste society before him while outlining his policies in the *Arthashastra*.

But ideologically this four-caste society of Kautilya's time got clear-cut shape when those past historical events like the Rama-Ravana War, the Mahabharata War were put down in writing in the shape of the Epics. Thus, it was in the epic age, roughly between 200 B. C. to 300 A. D. when the *Ramayana* of Valmiki and the *Mahabharata* of Vyasa, including the *Bhagavat Gita*, the the great epics and the major social codes took their final shape. About this epic age it has been written :

"To this period belong not only the two great epics in their final form, but also the Code of Manu and the code of Yajnavalka, the minor Upanishads and some at least of the Puranas and some of the philosophical Sutras. A new school of Hinduised Buddhism known as the Mahyayana arose under Kanishka in the north-west and from there spread to the northern countries of Asia. One of the Mahyayana scriptures, namely. *Saddhamma Pundarika*, is said

to be a parallel to the *Bhagavat Gita* in Buddhism. The other achievements of Buddhism in this period are the works of Ashvaghosha and Nagarjuna, the *Chaityas* of Karle and Nasik, the stupas of Bharut and Sanchi, the sculptures of Gandhara, Mathura, and Amaravati and earliest of the cave paintings in Ajanta. Lastly, we should note that it was in this period that Indians went abroad and colonized Sumatra, Java, Borneo, Malaya and Indo-China and established many kingdoms which were ruled by Indian princes for about fifteen centuries..."[1].

During this age and through these epics and social codes the ideal of Indian life got epitomised in "the formula of *Dharma-artha-kāma-moksha*" "which had originated in the preceding period but was now definitely fixed and widely taught',.[2]

In other words, through these literatures, it was explained and hammered again and again that "the purpose of life was four-fold, namely, *dharma* (duty), *artha* (wealth), *kama* (desire) and *moksha* (liberation)".[3]

This ideal of life, "which began with the Epics was carried on to a further stage by the Puranas"[3a] and the age of the Puranas and Darshanas is generally put from 300 A. D. to 650 A. D. From 320 A. D. to 480 A. D. was the socalled golden age of the Guptas and from 606 A. D. to 647 A. D., Harshavardhana ruled at Kanauj.

Here, what we have to remember is that from this age of the Guptas and, specially from the times of Harshavardhana, the stage of feudalism was ushered in Indian history which continued roughly till the establishment of the British rule in India in 1757. This has been discussed in details in my previous book *Studies in the Development of Capitalism in India* (Calcutta, 1963) and so we won't go into it here.

What we have to see here is that in this epic age (200 B. C. to 300 A. D.) and in the age of the Puranas (300 A. D. to 650 A. D.) the major ideological tracks of the Indian social life were laid which gave rigidity to structure and which has dogged the Indian society in one form or another up till now. This ideological structure which got its rigidity through the epics and the Puranas, got two major dents : (1) during the Bhakti movement

in the fifteenth and sixteenth centuries and (2) after the establishment of the British rule in the various religious reform movements like the Brahmo Samaj of Raja Ram Mohan Roy, the Prarthana Samaj of Mahadeva Govind Ranade and the Arya Samaj of Swami Dayanand Saraswati and other religious reform societies.

Thus, strictly from economic thought point of view what we are interested in is the economic ideas in these literatures and how far those ideas either helped or retarded the economic progress in India. In other words, does or does not the ideology of Hinduism in general give any incentive to economic enterprise ? When India came in contact with Islam from the eighth century A. D. onward the impact of Islam on Indian economic thinking was also felt. But to what extent and in what ways, we shall discuss in the next chapter. Here we are interested in the economic thought of Hinduism in general.

But before we come to the economic aspect we must pass through certain preliminaries such as what is Hinduism, Buddhism and their impact on it, etc.

Hinduism Defined :

Jawaharlal Nehru has said : "Hinduism, as a faith is vague, amorphous, many-sided, all things to all men. It is hardly possible to define it or, indeed, to say definitely whether it is a religion or not, in the usual sense of the word. In its present form, and even in the past, it embraces many beliefs and practices, from the highest to the lowest, often opposed to or contradicting each other. Its essential spirit seems to be to live and let live."[4]

But Mahatma Gandhi attempted to define it : "If I were asked to define the Hindu creed, I should simply say : search after truth through non-violent means. A man may not believe in God and still call himself a Hindu. Hinduism is a relentless pursuit after truth...Hinduism is the religion of truth. Truth is God. Denial of God we have known. Denial of truth we have not known."[5]

Then there are definitions by Vivekananda, Tilak, Sri Aurobindo Ghose, Radhakrishnan and many others. In fact it won't be fantastic if it is said that Hinduism has as many definitions as

the people who tenaciously profess it. But, despite so many attempts to define it, a few salient features do come out of them. And those salient features are : "the acceptance and negation of life" and "to live and let live".

These ideals can be found in other religions too but in Hinduism life was categorically divided into four stages (ashramas) : that of a student (*brahmacharya*), of a householder (*garhastya*), of a contemplator (*banaprastha*) and of an ascetic (*sanayas*). This means that the three-fourths of life's time was categorically meant for worldly activities. At the fag end of life, renunciation of the world as an ascetic (*sanyasi*) was prescribed. It further means that Hinduism attached major importance to mundane affairs on which the masses in general could easily tread on.

Besides such clear-cut categorization of life's time, even the ideals of life, as we saw earlier, were clearly enunciated in the formula of *dharma-artha-kama-moksha*. *Artha* and *Kama* are glaringly mundane ends. *Dharma* which meant duty assigned to one in life, is further a recommendation for worldly activity. No doubt this ideal of duty in a class society which the Indian society had already become when these social codifications were made in writing helped the exploiter class to maintain its domination over the exploited, it nevertheless meant to accept life and not to run away from life. Only the end of *moksha* (liberation) recommended such activities which ushered in permanent happiness for oneself and for others. And under this comes the whole gamut of activities which led to the so-called liberation of the soul, getting to Brahma, etc.

In fine, Hinduism meant the acceptance of life and not running away from life and its problems. In other words the basic philosophy of Hinduism has been the acceptance of material mode of life for one's self and for mankind in general.

It means the philosophy of Karma-Yoga, masterly presented by Tilak in his classical work *Gita Rahasya*. According to this, Mahatma Gandhi was himself a great *Karmayogin*[6]. The masses are basically Karmayogis.

Anyhow, it was this basic outlook of Hinduism which, among other things, stood in its stead when it faced a challenge from

Buddism in the beginning.

Buddhism and Jainism

Buddhism was a swan song for the tribal values based on *Gan* communes. We have already seen earlier that by the time of the Buddha (563 B. C.—483 B. C.), the state was fast coming into being in India at one place or another. The old *Gan* communes were fast being ground down by the new forces of private property and its concomitants. The rise of private property and with it the accumulation of surplus at one end and the deprivation of the masses from it on the other, had its own inherent momentum. The old social framework based on old values had to be broken and it broke in India as in other parts of the world with the rise of the classes and the state in society. Engels writes :

"The power of these primordial communities had to be broken and it was broken. But it was broken by influences which from the outset appear to us a degradation, a fall from the simple moral grandeur of the ancient gentile society. The lowest interests, base greed, brutal sensuality, sordid avarice, selfish plunder of common possessions—usher in the new civilized society, class society, the most outrageous means of theft, rape, deceit and treachery undermine and topple the old, classless, gentile society. And the new society, during all the 2500 years of its existence, has never been anything but the development of the small minority at the expense of the exploited and oppressed great majority ; and it is so today more than ever before."[7]

Before the Buddha it was this new fast growing scene of "base greed, brutal sensuality, sordid avarice, selfish plunder of common possessions" which shocked him beyond measure and made him feel 'a fall from the simple moral grandeur' of the old *Gan* commune days. He wanted to restore that "simple moral grandeur" of old days but in a new garb. And Buddhism was this new garb. In other words, "The Buddha alone, of all the contemporary prophets, could offer to the people of his times the illusion of liberty, equality and fraternity, which, as the inevitable result of the laws of social advance, were being trampled and undermined in *reality*."[8]

He thus began his preaching and founded his *samghas* with

some modifications "modelled on the pattern of the tribal democracies",[9] and meant to be "the ideal substitutes for a vanished way of life".[10]. And in that "vanished way of life" of the tribal democracies, there was no private property ; life was based on communistic principles. The Buddha, therefore, among other rules, abolished private property within his new order of the *samghas*. It was the stroke of a genius of the Buddha to pinpoint the origin of the private property as the root cause of the whole social mess of his time.

He gave a rational justification of what he stood for in the folk language, Prakrit, although his thought emanated from the Upanishadic reservoir.[11] He always said that his path was "the Aryan path". And the true Aryan path, according to him, was the avoidance of the extremes, i. e., the middle path. This made sense to the common people. What made the Buddha's teachings pervasive was that he universalized his diagnosis and prognosis for the whole mankind. He said that there were four noble truths about suffering and eight-fold path for its riddance not only for the people of his area and territory where he trod but for the whole mankind in general. His four noble truths are : (1) There is suffering *(dukha)* ; (2) There is the cause of suffering *(samudaya)* ; (3) there is the need of removal of suffering *(nirodha)* ; and (4) there is the way for the removal of suffering *(marga)*. And his eight-fold path is : "right views (*sammaditthi*), right aspirations (*sammasamkappa*), right speech (*sammavaca*), right actions (*sammakammanta*) right living (*sammajivo*), right exertion (*sammamvayama*), right recollection (*sammasati*), and right meditation (*sammasamadhi*)."[12].

In a nutsell all these meant that suffering in society is man-made and an individual by pursuing the above eight-fold path can get rid of it. The permanent riddance from suffering is Nirvana in the Buddha's teachings and this is the Buddhist counterpart of the Upanishadic *Moksha*.[13]

Rhys Davids sums up :

"Gautama was born and brought up and lived and died as a Hindu. There was not much in the metaphysics and principles of Gautama which cannot be found in one or other of the orthodox

systems, and a great deal of his morality could be matched from earlier or later Hindu books. Such originality as Gautama possessed lay in the way in which he adapted, enlarged, ennobled and systematised that which had already been well said by others; in the way in which he carried out to their logical conclusion principles of equity and justice already acknowledged by some of the most prominent Hindu thinkers. The differences between him and other teachers lay chiefly in his deep earnestness and his broad public spirit of philanthropy."[14]

With such a theoretical explanation and with his casteless and private property-less *samghas*, the Buddha took up the gauntlet to reform the then rising class society. In his teaching as its strength was its gospel of liberty, equality and fraternity, so its weakness lay in its emphasis on the idea of changing the society by changing the individual. On the whole, the Buddha's entire experiment of reforming the society was more or less like islands in the vast expanding ocean of the new forces of private property, in accumulation of wealth and their concomitants. It could not hold its own against the surging tidal waves of new class forces getting strong in society. Much later after the Buddha, Ashoka embraced Buddhism with due pragmatism and gave it the royal patronage for its further spread. Its further theoretical and philosophical elaboration was done by Nagarjuna who lived during Kanishaka's reign at the beginning of the Christian era. It was Nagarjuna who by his liberal interpretation formulated the Mahayana—*Maha* (large) + Yan (vehicle). The old school was 'Hinayana'—*Hina* (small) + yan (vehicle). It was the Mahayana Buddhism which went to Tibet, China and Japan while 'Hinayana' remained confined to Ceylon, Burma and Siam. "It was in this Mahayana that Buddha was made into a god and devotion to him as a personal god developed".

Such is the miniature view of the Buddha and Buddhism. Buddha's great contemporary was Mahavira, the founder of Jainism. Like Buddhism, Jainism was another great movement to reform the then Indian society dipped into priestcraft and mechanical ritualism. Both Buddhism and Jainism were revolts against such ritualism. Jainism remained confined mostly to India.

In course of time, however, both Buddhism and Jainism took a too austere shape for the common people to practise. Only the elite could tread on such an austere path. Besides, their emphasis on ascetism became more pronounced. Nehru writes :

"Buddha had denied the moral value of ascetism. But the whole effect of his teaching was one of pessimism towards life. This was specially the Hinayana view and even so that of Jainism. There was an emphasis on other-worldliness, a desire for liberation, for freedom from the burdens of the world, sexual continence was encourged and vegetarianism increased".[15]

But, as we saw earlier, the Hindu view of life was one of "a full and all-round life".[16] Asceticism was recommended in the last stage of one's life. The basic philosophy of Hinduism was mundane, accepting life facing its problems and not running away from them. This was the basic *Karma-yoga* which the masses found it quite natural and convenient to practise. In other words, Hinduism proved more the 'ism' of the masses than Buddhism and Jainism which became the 'ism' of the elite in course of time. Thus Hinduism became more compatible with the rising historical forces in India than Buddhism and Jainism. It is true that all these had their impact on each other but none left their basic core.

Now, strictly from economic thought point of view the major impact of Buddhism and Jainism was in lowering down the dignity of labour. Nehru writes :

"The emphasis of Jainism and Buddhism on non-violence led to the tilling of the soil being considered a low occupation, for it often resulted in the destruction of animal life. This occupation which had been the pride of the Indo-Aryans, went down in the scale of values in some parts of the country, in spite of its fundamental importance and those who actually tilled the land descended in the social scale.

"Thus Buddhism, which was a revolt against priestcraft and ritualism and against the degradation of any human being and depriving him of the opportunities of growth and leading a higher life unconsciously led to the degradation of vast numbers of tillers of the soil. It would be wrong to make Buddism respon-

sible for this for it had no such effect elsewhere. There was something inherent in the caste system which took it in this direction. Jainism pushed it along that way because of its passionate attachment to non-violence. Buddhism also inadvertently helped in the process."[16a]

In the caste system, the tilling of the soil, agricultural work or the doing of any other manual labour was generally allotted to the Vaishya and the Shudra castes. The two upper castes were kept above doing any such manual labour. It was below the dignity of these two upper castes to do the works which were generally socially sanctioned for the two lower ones. The dignity of such labour was low from the point of view of those two upper ones but from the society as a whole that labour was duly acknowledged. It had its due dignity within the caste and this had formal social sanction and approval. What the impact of Buddhism and Jainism on Hindu social caste system did was that this kind of manual or minial work for any kind of caste, even for the caste for which there was social approval, started being looked down upon. In other words, after the impact of Buddhism and Jainism, any kind of field or manual labour in general was considered to be low. Even for those to whom according to the previous Hindu caste division it was a matter of pride and dignity, it lost that prestige from economic thought point of view. This is the bad impact which Hinduism got from Buddhism and Jainism. To renounce the worldly life and take to the life of a monk became the primary demand from Buddhism and Jainism in their later forms. This meant for those castes which were doing manual labour work of any kind to give up doing so. To lead the life of a monk appeared to be more of dignity and prestige than doing the manual labour work which was formerly under Hinduism socially approved of. In fine, the dignity of labour, specially the dignity of manual labour, for the society as a whole was denigrated. This is what the above quotation from Nehru about the economic impact of Buddhism and Jainism on Hinduism means. The caste system had made the manual labour look below dignity from the two upper castes' point of view only but now after the contact with Buddhism and Jainism it

became so from the whole society point of view. In the long run in the Indian society this outlook in which manual labour work started being so looked down upon affected the incentive for economic enterprise.

So far as the acquisition and maintenance of wealth was concerned, Hinduism retained its previous spirit despite its being affected by Buddhism and Jainism in other matters. The weakening of this spirit of the acquisition and maintenance of wealth would have vitally affected the two (or three) major ends of life—*artha, Kama* (and *dharma*). The whole scheme of life would have been sapped. Somehow or other Hinduism stuck to its old spirit and this is what the bare mundane existence demanded and the rising feudal productive forces asked for. Any outright condemnations of the acquisition of wealth would have put the whole social fabric to naught. It is true the acquisition of wealth was being made through the machinery of private property ; its ruthlessness and the exploitation of the great majority. But all these fulfilled the demand of the new feudal social relationships slowly emerging in the then expanding society.

What then Hinduism did frown upon was, to repeat, not the acquisition and amassing of wealth as such but not using the excess wealth for others in the society. And in that case then that wealth was a sin . We have seen earlier that in the Vedic literature too such wealth for selfish use was condemned as a sin.

In Christanity in the beginning the very acquisition of wealth was considered as a sin and this situation continued for a long time. Slowly the amends were started being made. Only with the rise of the Protestant movement in the sixteenth century A. D., the acquisition and amassing of wealth as such was stopped from being considered as a sin but it was so if not used for the needy in the society. And such an interpretation of Christianity by Martin Luther and specially by John Calvin made the then rising economic enterprise in Europe speed up.[17].

In Hinduism, on the contrary, these two trends : (1) the acquisition and accumulation of wealth ; and (2) its use for social purposes have continued from the beginning.

When the writing and the composition of the Epics, the

Ramayana of Valmiki and the *Mahabharata*, the *Smritis* of Manu and Yagyavalka and other social codes were finalized in the Epic age (200 B. C. to 300 A. D.) and the Purana age (300 A. D. to 650 A. D.) these two trends about wealth were further expatiated upon. Through various past historical events, legends and myths the four ends of life—*dharma—artha—kama—moksha* were further elaborated and adumbrated upon in these literatures. Ideologically, thus, such literature of Hinduism did what the rising feudal class forces were asking for. Ideologically, again, therefore, it met the needs of the rising historical forces which Buddhism and Jainism could not do. It was not Shankaracharya who, by his roving all-India debates, is supposed to have pushed Buddhism to the walls but rather these rising feudal historical events which eclipsed Buddhism in India. Hinduism proved more mundane and the matter-of-fact *ism* for the masses in general.

Economic Ideas : With this little background we may now proceed to the major literatures of Hinduism for economic ideas whatever those may be.

The Ramayana and *the Mahabharata* : The *Ramayana* and the *Mahabharata*—the two great Epics contain many economic ideas which carry roughly the same two trends.

"The Mahabharata is a rich store-house in which we can discover all manner of precious things. It is full of a varied, abundant and bubling life, something far removed from that aspect of Indian thought which emphasized asceticism and negation. It is not merely a book of moral precepts though there is plenty of ethics and morality in it."[18] It is a mine of economic ideas as it is of political ideas. The *Shantiparva* of the *Mahabharata* is specially for Rajdharma, in which Bhishma on his death bed of arrows gives his discourses on politics, while the *Dronaparva* is devoted to the science of *artha* i. e., economics.[19] Social welfare is glaringly emphasised in it like this.

"Whatever is not conducive to social welfare, or what you are likely to be ashamed of, never do."[20]

If this social welfare is not kept in view, the very amassing of wealth for its own sake is deprecated in these words : "The silkworm dies of its wealth".[21]

In this way there are many other economic ideas in the *Mahabharata* which corroborate the above two streams of thought that the pursuit of wealth as such is not bad but it is bad if the demands of the society at large are overlooked. But the quintessence of all economic thought of the *Mahabharata* can be got from its *Bhismaparva* which contains the *Bhagavad Gita*, the quintessence of the overall philosophy of Hinduism in general.

The *Bhagavad Gita* : The Bhagavad Gita is comprised of the twenty-fifth to the forty-second chapters of the *Bhismaparva* of the *Mahabharata*. It consists of seven hundred stanzas. It goes without saying that it has been highly spoken of both by the Indian and foreign philosophers and thinkers. William Von Humboldt has said that it is "the most beautiful, perhaps the only true philosophical song existing in any known tongue".[22] To Mahatma Gandhi it had been the fount of solace and inspiration from the beginning :

"I find solace in the Bhagavadgita that I miss even in the Sermon on the Mount, when disappointment stares me in the face and all alone I see not one ray of light I go back to the Bhagavadgita. I find a verse here and a verse there and I immediately begin to smile in the midst of overwhelming tragedies—and my life has been full of external tragedies—if they have left no visible, no indelible scar on me, I owe it all to the teachings of the Bhagavadgita."[23]

Thus there are very many other opinions, interpretations and commentaries on the *Gita,* starting from Shankaracharya to Aurobindo Ghose, Tilak, Mahatma Gandhi, Vivekananda and Radhakrishnan but we would not go into them. What we are interested in here is the economic consequence, if any, of the *Bhagavadgita* and its impact on India's economic set-up.

The *Bhagavad Gita* is the most skilful synthesis and "the interaction or the combination of all the philosophies of India".[24] But, as Tilak writes :

"Whatever it may contain the Karma-Yoga ultimately remains the principal subject-matter of the Gita."[24]

Nay, Tilak has emphasized : "It is more proper to say that the subject-matter of exposition in the Gita is THE SCIENCE OF

KARMA-YOGA (Karma-Yoga-Shastra), instead of saying that it is KARMA-YOGA."[25]

And what is this science of Karma-Yoga ? Tilak demonstrates mathematically like this : "SAMKHYA+NISHKAM KARMA =KARMA YOGA".[26]

The economic impact of the *Gita* thus can be deduced from this mathematical equation. But before we proceed to that we must recall, as said earlier, that this entire literature of the Epic and the Purana age (from 200 B. C. to 650 A. D.) was indicated in the full-fledged class and caste-structured society of India. Slavery was on the wane and feudalism was on the rise. Thus the entire literature was written and composed from the rising class and caste forces point of view, albeit with due glaring emphasis on the four-fold ideas of life—*Dharma—artha—Kama—Moksha*. And the *Bhagavad Gita*, being a part of tee *Mahabhrarata* which was itself the product of such a class and caste-structured society, displays that glaring emphasis on this four-fold ideal of life. And as we saw earlier, seventy-five per cent of these four-fold ideals, i. e., dharma-artha-kama pertain to worldly activities. Thus, seventy-five per cent of the teachings of the science of Karma-yoga are for mundane activities. It means, the *Bhagavad Gita* is a great incentive for economic activities. In other words, the Gita is for and not against doing economic enterprise. And the performance of work should be done in a detached way (niskam), i. e., without the expectation of any personal benefit. It means that if the work when done brings forth any benefit that is to be enjoyed by the society in general. It is not that there should be no expectation of any return and its enjoyment but mostly to and by the others of the society. In other words, the mundane activities are to be performed mostly from social return point of view and not from the individual doer's point of view.

Thus the major economic consequence of the teachings of the *Bhagavad Gita* was that it was not a block but rather an inspiration and incentive to economic enterprise. Secondly, whenever such an economic activity is done that is to be done from social return point of view. The third economic consequence of the *Gita* is an untoward one when it gives sanctity to the caste formation. In

the thirteenth chapter it is said : [27]

Caturvarnyam, maya srstam
Gunakarma vibhagasha (*B. G.* IV. B)
The four-fold order was created
by Me according to the divisions
of quality and work. (S. R.)

In the eighteenth chapter, in *slokas* 41, 42, 43, 44, the duties of the castes are further expatiated upon.

This lends sanctity to the caste structure and makes it immutable. By doing one's duty as allocated to one by birth in a detached way one can attain *moksha.* This gate of liberation is open to all. But in no case by doing one's duty, one's caste, in which one is born, would be changed. All the gates for changing one's caste are closed. This is the most unfortunate consequence of the *Gita*, strictly from economic impact point of view.

By the *Gita* the castes were put into steel frames. The aftermath of this was that the rigidity of the caste system got an added religious support. Feudalism which was ushered in from the fifth century A. D. onwards in India (as in other parts of the world) was based on the communal ownership of land and on the caste-structured social make-up. Such a teaching of the *Gita* in which the castes were made sacrosanct was bound to impart tenacity to Indian feudalism and this it did and Indian feudalism was not easily being broken with the rising of the new bourgeois forces. It was this untoward economic consequence of the *Gita* which lent to caste rigidity and which made Max Weber conclude in his book *Protestant Ethic and the Spirit of Capitalism* as to how far Hinduism was responsible for the economic backwardness of India.[28]

Thus, among all the literatures of the Epic and the Purana age, the *Gita* is most conspicuous in imparting sanctity to the Indian caste system which told adversely on India's economic progress for quite a long time. In the beginning, as we saw earlier, the castes came into being because of special division of labour and there was a great deal of flexibility in it. There was the possibility of mutability allowed by the society but such literatures, among which the *Gita* is the foremost, started making the caste

immutable and something sacrosanct specially when it came from the lips of Krishna himself. It was very smart on the part of the theoreticians of the vested interests to make the castes immutable through the teachings of the *Gita* itself. But as the objective material forces always prove stronger and more decisive than the ideological ones, so it did with this so-called immutability of the castes. And it was by the time of the Bhakti movement in the fifteenth and the sixteenth centuries A. D., that the hammer blows were given to the caste system by the social reformers. But we shall see later about it.

In fine, strictly from economic thought point of view the *Bhagavad Gita* gives (1) a great incentive to overall economic enterprise ; (2) it teaches that the economic activity be done in a detached form (nishkam), i, e., from social return point of view and not from individualist selfish point of view ; and (3) by imparting immutability to the caste system it puts a brake on economic progress.

This may sound contradictory but this is it. D. D. Kosambi is, therefore, not wrong when he writes that "the utility of the Gita derives from its peculiar fundamental defect in seeming to reconcile the irreconcilable".[29]

The *Smritis* of Manu and Yajnavalkya also contain very many economic ideas. Among the eighteen Puranas, the *Matsya Purana* is replete with economic ideas. Then the Tantric literature whose composition was also done during this period, is full of materialistic and economic ideas. Besides, these economic ideas can be found in the *Niti Shastras* of Shukra, Narada and Kamandaka. Shankaracharya has mentioned three important treatises which throw light on the contemporary economic thought. And these are : *Agricultural Economics* by Gautam and Shahihotra ; *Commerce* by Videhraya ; and *Krishi Sangrah* by Parashar. For economic ideas of Buddhism the *Jataka Tales*, rock inscriptions and copper plate records of Asoka and other kings are very helpful.

But taking the whole literature of Hinduism of this period it can be safely said that it carries those two trends : (1) that the acquisition and the pursuit of wealth is not inherently bad and (2) the excess of wealth must be used for the betterment of the

society. And if it is not so, it is bad.

The classical or the orthodox shape of Hinduism was finalized by these religious scriptures, *dharmashastras* and other *nithishastras*. Feudalism in India was greatly helped by such writings. But the working of the contradictions in feudalism started giving birth to new bourgeois productive forces. The accumulation of capital in the hands of commercial and merchant class, the formation of the proletariat class, the rise of the towns etc., the preliminaries of the new stage of society were slowly budding in the Indian society as in the European one. The emergence of these new bourgeois forces had its impact on the ideological world also and in India it was through the rise of the Bhakti movement as in Europe it was through the Protestant movement.

Jadhunath Sarkar writes :

"Like the Protestant Reformation in Europe in the 16th century, there was a religious, social and literary revival and reformation in India, but notably in the Deccan in the 15th and 16th centuries. This religious revival was not Brahmanical in its orthodoxy ; it was heterodox in its spirit of protest against forms and ceremonies and class distinctions based on birth and ethical in its preference of a pure heart, and of the law of love, to all other acquired merits and good works. This religious revival was the work also of the people, of the masses and not of the classes. At its head were saints and prophets, poets and philosophers who sprang chiefly from the lower orders of society—tailors, carpenters, potters, gardeners, shopkeepers, barbers and even *methars* (scavengers)—more often than from Brahamans."[30]

John Strachey has noted : "There had been.....something analogous to the Reformation in the great movement of...reform, which in...some of its phases...was puritanical and protestant in tone."[31]

This Bhakti movement gave a jolt to the orthodox way of thinking of Hinduism as the Protestant movement in Europe did to the Catholic stance of Christianity. Just as the Protestant movement made its impact on economic thinking in Europe[32], so did it in India. Strictly from economic thought point of view there were two major consequences of the Bhakti movement in India.

First, the caste system which, as we saw, was, given religious sanctity and made it appear something immutable, was given a severe dent. The rigidity of the caste system was given a shaking. Flexibility and change were ushered in the caste make-up. There was nothing sacrosanct about the four-fold social divisions coming through the ages, the leaders of the Bhakti movement hammered on. The aftermath of such hammering was that the caste structure had given to Indian feudalism was affected. The result was that the Indian feudal framework which was not something brittle became so and before the rising new forces it started giving in. This means that this outlook of the Bhakti movement gave an incentive to economic progress which was held up by the old outlook.

Secondly, this Bhakti movement raised the dignity of labour in society in general. Even the manual and menial work was not below the dignity of any member of this society, even for the members of the two upper castes. Previously such manual labour was a matter of dignity for only those castes which were socially ordained to do so, but now it was a matter of prestige for all. This outlook lent an impetus to the then rising productive forces and to economic progress.

Thus this Bhakti movement which was the second (or third, if the Vedic phase is taken into account) phase of Hinduism further helped economic progress in Indian society. In other words, this heterodox or liberal phase of Hinduism was not a bar to actual economic progress in India by its various ideological and religious interpretations and compositions. It mears the old previous outlook of Hinduism in which the pursuit of wealth and economic activity was never deprecated outright, got further broadened. In fine, the economic consequence of this phase of Hinduism was for and not against worldly economic activities.

The third phase in the outlook of Hinduism started when India came in contact with Western capitalism through the establishment of the British rule in India in 1757. From the second half of the nineteenth century when indigenous capitalism started coming into being, the change in the outlook of Hinduism for economic activities was more perceptible. It was through the

efforts of the Brahmo Samaj of Ram Mohan Roy, the Prarthana Samaj of Mahadeva Govind Ranade and Arya Samaj of Swami Dayanand Saraswati that these three reform societies started giving more rational and uptodate interpretations of Hinduism in their own way. The sum total of these interpretations was that the previous orthodoxy of Hinduism concerning the caste system, the dignity of labour and economic activity in general, got further blows. Economic enterprise on the model of what was being done by British capitalism in India was quite within the fundamentals of Hinduism and its scriptures, according to the leaders of these reform societies. The tenets of Hinduism with due references were hammered by these leaders to be in full compatibility with the Western economic enterprise. Money making, accumulation of capital, setting up factories etc., were duly approved of by the rational interpretations of these leaders. The economic enterprise on the pattern of what the Western and specially the British capitalism was doing in India and the world was within the fundamentals of Hinduism, they affirmed.

From economic thought point view this further broadened the economic outlook of Hinduism. Nay, it brought it on a par with the Western outlook. Economic thinking in India from the mid-nineteenth century to up till now has been moulded, on the whole, in what may be called modern economic ideas. Whether modernized Indian economic thinking has displayed that originality and refinement or not, that is another matter but the way of looking at economic matters got fully up-to-date.

Among others, the last who was himself the apostle of the fundamentals of Hinduism and who at the same time gave a scientific interpretation of it was Swami Vivekananda. To him religion was not for the poor and the starving people. He said :

"They ask us for bread, but we give them stones ; it is an insult to a starving people to offer them religion ; it is an insult to a starving man to teach him metaphysics."[33]

Advocating complete revolt against the traditional rituals Swami Vivekananda thundered.

"Let us throw away all the paraphernalia of worship—blowing the conch and ringing the bell, and waving the lights before

the Image.....Let us throw away all pride of learning and study of the Shastras and all Sadhanas for the attainment of personal *Mukti*."[33]

The constant theme of his speeches was strength in every sphere of life. "Above all, be strong, be manly. Anything that makes you weak physically, intellectually and spiritually reject as poison. There is no life in it ; it cannot be true."[34]

The meaning of Karma-Yoga, he explained thus : "Who cares for your *Bhakti and Mukti* ? Who cares for what your scriptures say ? I will go into a thousand hells cheerfully if I can rouse my countrymen, immersed in *Tamas* (inertia), to stand on their feet and be men with the spirit of Karma-Yoga."[35]

Just as he was against the so-called personal *Mukti*, he was against any soaring idealism which did not care for others in the neighbourhood. This is what he had said :

"An ideal which is too high makes a nation weak and degraded. In our country the old ideal is to sit in a cave and meditate and die. To go ahead of others in salvation is wrong. One must learn sooner or later that one cannot get salvation if one does not try to seek the salvation of his brother. You must combine in your life immense idealism with immense practicability."[36]

All these speeches are the acme of putting Hinduism in modern scientific humanistic garb. In the economic world all those exhortations of Swami Vivekananda mean to achieve success in the economic enterprise. The stronger you are in the economic enterprise the smoother would be your path from the so-called *Mukti* point of view too. This is what the Protestant Movement in Europe in reality meant and thus gave a fillip to economic progress. In the Protestantism of Swami Vivekananda and others the betterment of the society is also taken into view and not just the individual prosperity. Swami Vivekananda eventually came to the conclusion that in socialism lies the real *Mukti* of the individual and the society in general.

Now to sum up :

In the history of economic thought the discussion of the impact of religious ideology on economic thinking is not irrele-

vant. It is true the ideological structures, including the religious one, is in the last resort, the reflection of the socio-economic set-up. The change in the socio-economic base begets the corresponding change in the ideological superstructure, including religion. Thus the ideological superstructure being changed, does ideology make any impact on further economic progress? In Christianity such changes were ushered in by the rise of bourgeois productive forces in the shape of the protestant movement under Martin Luther, John Calvin and others. This changed shape of Christianity, gave a new stimulus to the then rising bourgeois forces in Europe. Max Weber in his book *Protestant Ethic and the Spirit of Capitalism* and R. H. Tawney in his book *Religion and the rise of Capitalism* have amply demonstrated how far that changed shape of Christianity, i. e., the Protestant movement further helped in the growth of capitalism in Europe.

In the history of Indian economic thought the impact of the religious ideology whether it helped or retarded the economic progress of India is thus pertinent. In India Hinduism as a religious ideology has been continuing in one form or another since the Vedic age. Now, how far this religious ideology had its impact, if any, on India's economic progress is worth probing into and this has been done in this Chapter. It is true that in India the two other religious movements, Buddhism and Jainism did have their impact. But these three acted and reacted on each other and each assimilated something from the other. But in the long course of Indian history, Hinduism with due absorption from Buddhism and Jainism stuck with the masses. The basic reason for this was that it proved basically more this-worldly than those two religions. In Hinduism the major ends of life were categorically chalked out in the formula of *dharma-artha-kama-moksha*. Seventy-five per cent of these ideals pertain to worldly activities. Its basic teaching thus was the acceptance of life and its problems and facing them. In a detached form, doing so was declared to be the science of Karma-Yoga, the basic gospel of the *Bhagavad Gita*. Such a categorization of the ideals of life through religious literature was in full compatibility with the then class forces. So, this aspect of religion had a favourable impact on the rising produc-

tive forces.

What adversely affected the economic progress was the caste system which was made to appear rigid by the compositions of the Epics, the Puranas, the Smritis and the Dharmashastras. The *Bhagavad Gita* capped it all by making it look divine-made. This added tenacity to the social framework which was thus slow to break with the rise of the new productive forces. But as the objective material forces eventually proved decisive, so did this in India too in the shape of the Bhakti movement in the fifteenth-sixteenth centuries A. D. By the Bhakti movement a jolt was given to the rigid caste system. Besides, the dignity of labour for the society in general was also raised. This change the rising productive bourgeois forces asked for. So the Bhakti movement had favourable impact on the development of capitalism in India as the Protestant movement in Europe.

The last phase of Hinduism was after the establishment of the British rule in India. From the second half of the nineteenth century the various reform societies started giving more modernized and scientific interpretation of the fundamentals of Hinduism. The success in the economic enterprise was no bar to religious achievements. This these modernized interpretations of Hinduism in reality meant. All these further meant that economic enterprise in the shape of indigenous capitalism got due ideological backing.

In fine, Hinduism, whatever its definition and whatever its reformed shape in the course of time, basically never condemned the acquisition of wealth, making profit, taking interest, accumulating capital, etc., the rudimentary steps for conducting and maintaining the exploitation economy, be it slavery, feudalism or capitalism as it came through the ages. And thus it is no wonder that in the present time or by the time of India's independence in 1947, the majority of the Indian capitalists were the followers of the faith of Hinduism. That is, the majority of the big and small capitalists in India were by the time of independence in 1947 and are at present the believers in Hinduism as it is commonly understood now.

This means, Hinduism gives an incentive to capitalism. This

is the first big overall economic impact of Hinduism.

The second big overall economic consequence of Hinduism, as discussed and analysed in this chapter is that the use of wealth should be for social betterment. If it is not done, it has been condemned from the Rig Veda days to that of Swami Vivekananda and even now. This concept of social betterment which Hinduism has inherited from the past connotes, in modern parlance, socialism. It means Hinduism gives an incentive to socialism too.

All these then boil down to this that from Hinduism comes the incentive both for capitalism and socialism.

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CHAPTER IV

MEDIEVAL PERIOD

ECONOMIC THOUGHT OF ISLAM

India came in contact with Islam in 712 A. D. when the Islamic Arabs came into Sindh. But as a political force, Islam emerged on the Indian scene when the paramount power of ruling passed from the hands of the last native sovereign of Delhi, Prithvi Raj Chauhan, a follower of the faith of Hinduism, into the hands of the followers of the faith of Islam by the end of the twelfth century. From 1206 formally, when the Muslim rule started in Delhi, Islam started working as one of the religions of India, like Hinduism, Buddhism and Jainism, and it is so up to the present. It is true in the beginning the followers of Islam were not many in number but in course of time they increased, mostly by conversion.

What we are interested in here is the economic impact of this religion, Islam, when it started working in the Indian society. Did this religion give any incentive to economic progress ? If so, in what ways ? If not, the reasons thereof ? In other words, what economic ideas came from Islam and how far and in what ways they had their impact on Indian development ? Did those economic ideas of Islam help or retard the economic progress of the followers of the faith of Islam in particular and of the Indian society in general ?

This impact of the economic thought of Islam in India we shall examine in three parts. Firstly, the original sources of Islamic religion, i. e., what kind of economic guidance does come from the basic sources of Islam ; secondly, how far those economic injunctions of the basic sources were adhered to by the followers of Islam, be they sovereigns or subjects ; and thirdly, what new or modern interpretations were given to those economic fundamentals of Islam when India came in contact with the West, i.e., after the establishment of the British rule in India.

For the original sources we have to begin from the *Quran* and the *Hadith* and the *Figh.*

The Quran :—The Quran is the compilation of the revelations which came to Mohammad (570 A. D.—632 A. D.) in instalments in 23 years of the later part of his life in Arabia. It has 114 *Suras* or Chapters. It is didactic in approach and repetitive in content. The age in which Mohammad was born was the age when feudalism had started coming into being in world history. In India, as we saw earlier, it was the close of the Gupta period and the beginning of the period of Harshavardhana and during this period feudalism started emerging in Indian history. In Europe the western Roman empire had been ended by the northern invaders and the era of feudalism had been inaugurated there too. In other words, mankind in general had passed from the age of slavery to that of feudalism. New productive forces were rising and the demand was for new social relationships. Feudalism thus was the new social relationship ushered in on the world stage.

Thus, Mohammad was born at Mecca in 570 A. D. when feudalism was being born in world history. The society in which Mohammad was born was steeped in every kind of superstition, polytheism, animism, totemism, anthropomorphism and paganism. Internecine tribal warfare was the go of life. In such an atmosphere his gospel of monotheism, fellow-feeling and collective betterment seemed queer. He had to flee from Mecca to Medina in 622 A.D., and there at Medina was offered to become the ruling head and this he accepted. Now, with the state power in his hands he started getting his ideas materialized into action. There he had new problems too. There were peoples like the Jews and Christians who were not the followers of his new faith. In a very practical way he did tackle those problems.

And he began by composing the written constitution of the state of whose head he himself was. In this sense he was the first person to be the author of any written constitution in the world. There he outlined the limits within which the ruler and the ruled had to act. The fundamental rights and duties of the ruler and the ruled were clearly highlighted in the constitution that he made. The home and foreign policies were further clarified and roughly

every aspect of social life was dealt with according to his ideas of monotheism and social brotherhood based on growing egalitarinism.

It was while outlining the economic policy of the newly created state that his economic thinking comes to us through the *Quran*. Here, in economic matters, two trends come before us. Firstly, what is to be taken from the ruled for making the state economically viable and, secondly, what is to be given to the ruled from the state in accordance with his new ideas which he was propounding as Islam.

For taking from the ruled, he outlined three sources :
(1) Zakat, the alms-tax ; (2) Kharaj, the land-tax ; and (3) Jazia, tax from those subjects who were not the followers of the faith of Islam but whose security was the bounden duty of the state.

In other words, "The Muslims had to pay Zakat or alms tax, and Kharaj or the land-tax, and the non-Muslims under the protection of the State paid the Jazia and Kharaj."

There are more than ten Suras in the *Quran* which have expatiated upon the significance of Zakat. Similarly, there are Suras in the *Quran* which have gone into the *raison d'etre* of the Kharaj and Jazia. All these are from the state point of view. For the subjects, *riba*, interest-taking, hoarding, unjust profiteering, stinginess are vehemently condemned by the *Quran*. In other words, all the sources from which the accumulation of wealth and capital are made possible, are declared to be un-Islamic according to *Quran*.

For giving to the subjects, expenditure on charity, on the needy, the infirm, the invalid, the orphans is highly recommended. According to the *Quran*, the more it is spent on the needy, the handicapped and the helpless, the more it would be in the true pursuit of Islam. In modern parlance, the more it is spent on social welfare the better it would be according to the true ideals of Islam.

From economic thought point of view, thus, there emerge two trends from the *Quran* : (1) the production side and (2) the distribution side. The production side, through which there is the possibility of the accumulation of wealth and eventually capital, is

on the whole deprecated, while distribution on the basis of egalitarianism is very much encouraged.

In Hinduism, as we saw earlier, the goals of life were categorically demarcated into four parts-*dharma-artha-Kama* and ***moksha.*** Out of these, the first three or seventy-five per cent of a man's life was concerned with worldly activities. The acquisition and accumulation of wealth, interest-taking, profiteering were never outrightly condemned. These were duly sanctioned by the Epics and the Puranas and the other Dharmashastras of Hinduism. The result was that such religious injunction did not put any brake on economic enterprise. But in Islam this accumulation of wealth through taking interest, hoarding and profiteering get condemned from its very original source, the *Quran.* It means, according to the fundamentals of Islam, the incentive for economic enterprise is nipped in the bud.

About equal distribution and consumption in Islam, there is glaring emphasis on it while in Hinduism the excess only is to be used for others, i. e., for social betterment.

Mohammad was perhaps the first religious reformer in the world who had new social and religious reform ideas in his head with the reins of the state power in his hands. This was so neither with the Buddha nor with Jesus. The Buddha renounced the wielding of the state power while Jesus disliked it. Both the Buddha and Jesus, believed in changing the society by changing the individuals or what is commonly called by changing the hearts of the individuals. But Mohammad believed in changing both the individual by changing his heart through persuasion and ethical indoctrination, and the society by legal enactment, if necessary. As the head of the state, Mohammad had the opportunity of doing the both. Thus Mohammad was much more pragmatic in his approach to social transformation.

In fine, taking the overall picture, Mohammad's way of preaching Islam had a revolutionary impact on the Arab society. It infused a new dynamism in social development and, thus, it spread like wild-fire from Mecca to southern Spain on the western end and to Sindh in India. In economic thought, Islam laid more emphasis on egalitarian distribution and consumption than on incre-

asing wealth.

Hadith : The *Hadith* is the compilation of Mohammad's further sayings and speeches which he delivered when he faced new problems. It reveals the same trend of thinking as in the *Quran*. In economic matters also the main trend of the *Quran* is further carried on. It means herein also we find more emphasis and light on the distribution side that on the production side.

The *Quran* and the *Hadith*, thus constitute the basic source from which emanate the Islamic doctrines, including the economic ones. These two further make the *Shariat*, the original Islamic canons.

Figh is the civil jurisprudence in which these Islamic canons were further interpreted and added to by various Islamic authorities from time to time for their application according to the demands of the situation.

Islam In India

With this brief background about the basic tenets of Islam from the original sources, the *Quran* and the *Hadith*, we now proceed to see how far those basic tenets worked in India from the thirteenth century onward when Islam started working as one of the religions of the Indian society and how far either the Muslim sovereigns or the Muslim community in general in India lived upto those basic guidelines, specially in the economic life.

Let us take stock of the Muslim sovereigns first. Tara Chand in his *History of the Freedom Movement in India*, Vol. I, has depicted the situation of the Muslim Sovereigns in the following words:

"Notwithstanding the fact that throughout the medieval period the head of the state in Indla was a Muslim, the state was not Islamic. Neither in its constitutive principles, nor in its basic conceptions, aims and ends did the State follow the injunctions of the holy scriptures—the *Quran*, the *Hadith*, or the laws elaborated in the four schools of Sunni jurisprudence. It is a mistake to call the medieval state of India theocratic for it did not function under the guidance of the Muslim theologians. The personal faith of the ruler had little to do with his public policies.[1]

"Almost every one of the Muslim monarchs of India" from the thirteenth century onwards expressed his inability and indicated

the impossibility of conducting government in accordance with the Shariat. Iltutmish, Balban, Alauddin Khilji and Mohammad Tughlaq, were among pre-Mughal sovereigns of India who questioned the suitability of applying Muslim law to India. Their spokes-man, strangely enough was one Ulama-Zia-ud-Din Barni, the historian. In his *Fatawa-i-Jahandari*, which is a work dealing with politics, he says, 'True religion consists in following in the footsteps of the Prophet...But royal government, on the contrary, can only be carried on by following the policies of Khusran Parvez and the great emperors of Iran. He admits 'between the traditions (Sunnat) of the Prophet Mohammad and his mode of life and living, there is a complete contradiction and total opposition.' But he points out that the *Shariat*, which is the command of God could be followed in State matters only in exceptional times. Mohammad succeeded in enforcing *Shara* because he was directly inspired by God. The first four Khalifas did so because they had been the associates of the Prophet. But their successors were faced with two irreconcilable alternatives—traditons of the Prophet and the policy of the Iranian emperors. But prophethood is the perfection of religion and kingship is the perfection of worldly fortune. These two perfections are opposed and contradictory to each other, and their combination is not within the bounds of possibility."[2]

Professor M. Habib has concluded : "It is true that Muslim Kings, mostly of foreign extarction, sat on Indian thrones for some six or seven centuries ; but they could only do so because their enthronement was not the enthronement of 'Muslim Rule' : had it been otherwise, they could not have lasted for a single generation."

The Muslim sovereigns in India were the first to say good-bye to the basic Islamic law. Their main concern was to rule and not to preach Islam. To be in the saddle of the governance of their territories by any means was their primary concern. Its aftermath was that in actual administration they were guided more by pragmatism than by Islam. Nay, under the exigencies of the situation they very often faltered from pragmatism into gross opportunism, bereft of any norm. As the head of the

State, Mohammad had stuck fast to the ladder of pragmatism and the basic Islamic norm but the Muslim sovereigns of India in the medieval period were bereft of any such norm. It means, "The Muslim Emperors and Sultans of India paid scant attention to the Islamic concepts of the State."[3]

"According to Islamic theory all Muslims constitute a single society (millat) and this society needs a single Muslim chief. The idea of a universal society and a universal State based upon divine law was the essence of Islamic politics. It required an elected head of the Faithful (*amir-ul-mominin* or Khalifa). The person elected to this high office was required to fulfil conditions, and on election enjoyed certain privileges. His functions were defending the faith and administering the worldly affairs of the Muslim empire in accordance with the sacred law."[4]

But with the passing of time the situation changed. "The Umayyad Khalifas converted the elective office into a hereditary one. Under the Abbasids while the nominal suzerainty of the provinces set up substantially independent principalities. On the overthrow of the Abbasids by the Mongols in 1258 A.D., even the pretence of allegiance to the Khalifa was abandoned. Thus, Islam repudiated its essential principles of universalism of society, state and law. The rulers who set themselves up as sovereigns of their territories were upholders of particularisms based on the customs and traditions of the peoples over whom they exercised authority."

In India also it happened so. Just "after the middle of the thirteenth century, when Baghdad, the seat of the Caliphate, had fallen into the hands of the Mongols and the Khalifa had taken refuge in Egypt, the linchpin of the Islamic community was broken and in consequence the Islamic polity disappeared."[6] The Muslim rulers of India cut off the umbilical chord with the Khalifa and stopped paying even nominal homage to any religious head outside India. This was something like king Henry VIII of England cutting off his connection with the Pope of Rome.

Under the Mughals, their conception of the state and of the nature of their office was "Iranian and un-Islamic."[7] "The Emperor regarded himself not the elected chief of the Muslim

community, nor the representative and subordinate of the Khalifa of the Faithful."[8]

All these amply corroborate that the Muslim sovereigns were basically un-Islamic in running the state. But this again does not mean that they ceased calling themselves Muslims while dealing with the non-Muslims, except Akbar, the propounder of the new religion, Din-i-Ilahi.

The economic impact of such an un-Islamic outlook of the Muslim sovereigns, we shall discuss a little later. But let us first see about the working of the Muslim community in the Indian society.

When the Muslim community got formed in India, firstly small in number and then slowly larger in number, mostly by conversion, it passed through the process of 'give and take' with the other communities, specially the Hindu. Islam and Hinduism started acting and reacting on each other as in the past it happened between Hinduism and Buddhism and Jainism. One started absorbing something from the other and the assimilation process got under way.

Strictly from the metaphysical point of view, the monotheism of Islam, i.e., there is one god 'Allah, found a very congenial atmosphere in the monotheism of the Vedanta. This made the two come closer. The Upanishads and other philosophical writings were avidly being read and translated into Persian by the Muslim scholars. It is on record that Dara Shikoh himself translated the Upanishads and wanted other Hindu Shastras translated into Persian.

Similarly, Muslim *Sufism*, *tasawwuf* (mysticism) found a very welcome home in the Hindu school of *Bhakti*. "Both founded their faith upon the principle of pantheistic monism (*advaita, wahdut-al wujud)* and both followed similar methods of self-control and purification (Yoga and *dhikar*). Both regarded song and music as contributory to the inducement of mystic states—contemplation and unification."

There are thus very many instances when in religious and philosophical matters Islam and Hinduism made their imprints on each other. Nehru concludes : "Hinduism as a whole felt the

impact of the new ideas, and Islam in India also became somewhat different from what it was elsewhere. The fierce monotheism of Islam influenced Hinduism and the vague pantheistic attitude of the Hindus had its effect on the Indian Muslim."[9]

In literature, art, architecture, dress, music, song and other social customs and manners, the Hindu community got an indelible impact of Islamic culture which is continuing up to the present.

From the social make-up point of view, what the Muslim community got from the Hindu community was the infection of the caste system. The Muslim community basically was egalitarian in its social structure. Neither does the *Quran* nor the *Hadith* approve of any social stratification among the followers of the faith of Islam. Its teaching of brotherhood is too glaring to brook any social stratification in the Muslim community (*Millat*). In inheritance it had given equal status to both the daughters and the sons. It means that the basic gospel of Islam is equality in the family and in society in general.

But unfortunately the Muslim community could not stick to this when it started working in India. The social stratification in the shape of the caste system, which was working in the Hindu community, made its intrusion into the Muslim society. Its main reason was that most of the Indian Muslims were "converts, bred up in and surrounded by the old traditions and only a comparatively small number of them had come from outside."[10] The new converts accepted the new faith of Islam but could not give up their old social mould and carried it into the new community. Tara Chand writes :

"Islam is a force of volcanic sort, a burning and integrating force...It melts and fuses together a whole series of tribes, and reduces their internal structure to one uniform pattern in which no survivals of pre-existing usages can be detected, yet the fact is that the Islam of the Books was very different from Islam in practice. The interval between the teaching of the Prophet and the actual customs and institutions of the Muslims in medieval India is not less wide than that between the Hindu Dharma Shastras and the caste system as it was practised."[11]

Ibbetson pointed out that "the people (Musalmans) are

bound by social and tribal customs far more than any rules of religion", and "conversion from Hinduism to Islam had not necessarily the slightest effect upon it (caste)."[12]

Thus social stratification emerged in the Muslim community too in India. The upper ones were called *sharif* (noble) which the lower ones were called *radhil* (ignoble). Among the *sharif* furthermore there were Shaikh and the Sayyed castes, Besides, there were among the Muslims the occupational castes too, like the weavers (*Julahas*), butchers (*Qasabs*), water-carriers (*Bhistis*), sweepers (*Lalbegis*), etc.

All these amply demonstrate that in the Indian milieu, Islam, despite its original egalitarianism and dynamism, succumbed to and accepted the caste system of Hinduism. The Muslim community in India in no case remained immune to this virus of Hinduism and this told upon its economic progress.

In this way Islam and Hinduism started influencing each other and the Bhakti movement of the fifteen-sixteenth centuries was the denouement of this assimilating trend. This Bhakti movement, as we saw earlier, was like the Protestant movement of Europe. It had its inevitable impact on both the Muslim and the Hindu communities. It was the socio-religious reflection of the rising bourgeois forces in the Indian society. It shook the rigid social framework of both the communities. The objective material productive forces of the Indian society in general had asked for it. Despite all these the tenacity of the Indian feudal framework of society was not easy to break. But it did break with the advent of the British in India.

After the establishment of the British rule, India came in due contact with the West and its rising capitalism had its unavoidable impact on the Muslim community as on the Hindu community. The wind of rational thinking blew over the Muslim community as it did on the Hindu. The orthodox interpretations of the religious scriptures of both the communities gave place to rational or what is commonly called, modern, interpretation. In the Hindu community, as we saw earlier, this emerged with Raja Ram Mohan Roy and others. Hinduism from now on was being put in a modern garb. Islam also had the same change. The

trend that Ram Mohan Roy started in Hinduism, the same trend of modernization was started among the Muslims by Syed Ahmad Khan. How similar was the emerging phenomenon of both the religions has been depicted by Tara Chand thus :

"A striking illustration from the nineteenth century is the resemblance between the basic ideas of Ram Mohan Roy in the first half and of Syed Ahmad Khan in the second half of the century. Both held up the supremacy of reason in religious, moral and social affairs. Both endeavoured to demonstrate that their religion was justified by reason and based upon natural laws. Only in the one case the truth was revealed in the *Upanishads* and the other in the *Quran*. Both agreed in their views about God, man and nature and their mutual relations. Both believed in the oneness of God, the reality of nature and the equality of man. They repudiated the ascetic view of life and the idea that the world was evil and illusory. Both desired the removal of social evils and irrational customs which had sapped the strength of social fibre and defiled the purity of its morals. For both, Western education the study of modern sciences was the sovereign remedy for the ills of Indian society ; for both the Western system of responsible government was the ideal form of the government which Indians ought to try to attain. Neither was convinced that India had reached the social evolution where this form of government could be immediately established. They recognized the importance of communal harmony and the mixed character of India's culture."[13]

The orthodox schools of Hinduism and Islam, of course, tried their best to defend their old stand but to no avail. In the changed milieu of the Indian society under the British rule, the tide of the new renaissance in both the religions could not be stemmed.

In fine, a wave of rational revivalism swept both Islam and Hinduism. But we would not go further into the details. Here we will now examine the economic consequences of Islam in general.

Economic Consequences of Islam in India

When Islam started working in India it came in contact with Hinduism. And because of its contact with Hinduism and of

other objective situations, Islam in practice drifted away from the original teachings. The deviation of both the Muslim rulers and the Muslim community in general from the basic tenets as enunciated in the *Quran* and the *Hadith* was inevitable.

Strictly in economic matters, this deviation was from two points of view : (1) the acquisition and accumulation of wealth and (2) the intrusion of the caste system in to the Muslim community.

Concerning the first, the Muslim community in India because of its contact with the Hindu community, could not restrain itself from interest-taking, profiteering and from other ways of acquiring and accumulating wealth and capital. We have seen earlier that the *Quran* and *Hadith* had very clear and unequivocal injunctions against interest-taking, unjust profiteering, hoarding etc. Any such activity was basically un-Islamic. But the Muslim community in India started dabbling in such activities as it was being done by the Hindu community. In Hinduism, as we saw earlier, all such activities which make money or beget money were duly sanctioned by the Dharmashastras and other social Smritis. The very ideal of life, according to Hinduism, had four goals—*dharma-artha-kama* and *moksha*. Among these, the first three pertained to worldly economic activities. For the Hindu community there was no compunction in embarking on such activities which produced wealth and more wealth. Interest-taking, profiteering etc., were duly sanctioned by religious and social codes of Hinduism.

But in Islam all such money-making activities were categorically prohibited. Only such economic activities and acquiring of wealth were allowed in Islam which satisfied the bare physical necessities without doing any harm to such bare necessities of others in the Muslim community. There was no such clear-cut goal of life like *artha-kama* in the Islamic view of life. The Islamic view of life was basically simple without any ostentation in worldly life and without any hankering after worldly goods.

But in India, as elsewhere, in practice the Muslim community could not stick to this religious guideline of Islam. Here in India this gap between the religious guidelines and actual practice

started widening more because of its contact with the Hindu community. Despite this deviation in actual practice the Muslim community could not adopt those clear-cut goals of life like *artha-kama* as it was in Hinduism. The aftermath was a paradoxical one.

The socio-economic situation of India pushed the Muslim community to dabble in money-making activities as the Hindu community was doing but at the same time it could not get that full scriptural backing as the Hindu community was getting and thus it was restrained from going far. In other words, it had the push of the socio-economic set-up but it had the scriptural pull-back to boot. The Hindu community could draw full nourishment from its social and religious codes but the Muslim community could not do so.

The Muslim sovereigns, like Feroz Tughlaq, Sikander Lodi and Aurangzeb who flirted with puritanism by imposing Jazia, further vitiated the economic outlook of the Muslim community. Such steps highlighted the economic injunctions of the *Quran* and thus further pulled back the Muslim community from whatever economic enterprise it had been pursuing in collaboration with the Hindu community.

Thus the Muslim community passed through that paradoxical situation in economic activities. If there was laxity in following the Quranic injunctions for dabbling in economic pursuits which involved interest-taking, profit-making and the accumulation of capital, because of the changing objective forces, such royal measures dampened that spirit of private enterprise. Because of this push and pull situation of the Muslim community the lead in profit-making private enterprise remained with the Hindu community and in further economic competition the Muslim community could not catch up.

So, in the medieval period, under feudalism when the opportunities for private economic enterprise were limited, the Muslim community fell a prey to this push and pull situation, while the Hindu community fully availed of those limited opportunities and took a good lead in further economic development. The Muslim community thus, in matters of economic enterprise unwillingly trod

the path which, despite the laxity released by coming in contact with the Hindu community, on the whole, remained not too far adrift from the Quranic guidelines. It means that in economic activity in the medieval period the Muslim community unwittingly could not deviate too much from the Quranic injunction and thus that spirit of economic enterprise could not arise in it. From the fifteenth-sixteenth centuries when capitalist forces started being born in the Indian society, the lead in the race was already taken by the Hindu community and the Muslim community lagged behind and this remained so during the British rule too. When capitalism was being born again from the second half of the nineteenth century, the lead in the race of economic competition was already taken by the Hindu community. It was because of this that majority of the big capitalists upto the time of Independence in 1947 were the followers of the faith of Hinduism and not of Islam.

In fine, it was stringent Islamic injunction about interest taking, hoarding and profiteering etc., which held up the Muslim community in making economic progress. In other words, when the era of capitalism started, Islam could not give the requisite incentive which Hinduism did.

Thus, when Islam started working in the un-Islamic social set-up of India from the thirteenth century onward, it could not remain in the original shape in practice by its followers. In contact with Hinduism it drifted much from its original form. While in other spheres of life the drift was obvious and lasting, in economic matters unwittingly Islam and the Islamic community in India could not make much rupture with the original guidelines. And this told upon their economic progress.

Besides, as said earlier, the Muslim community got infected with the virus of the caste system of Hinduism and this further put a brake on the economic progress of the Muslim community. It is true it was the Hindu converts of the Muslim community which propelled it to dabble in those economic activities which were not clearly approved of by the Islamic injunctions. It is no wonder that the laxity concerning the prohibited economic activity in the Muslim community was more because of the Hindu converts, be-

sides other factors. But whatever liberalization trend might have been unleashed by the Hindu converts, the very intrusion of the caste system in the social framework of the Muslim community proved more fatal in the long run from the overall economic progress point of view of the Muslim community. The social feudal framework of the Muslim community was added further tenacity by it as it was doing in the Hindu community. We have seen that feudalism in India proved very tenacious before the rising bourgeois forces in the Indian society. European feudalism proved brittle before the new capitalist productive forces but in India feudalism proved very stiff and was not easy to break. This steel-like framework of Indian feudalism was, *inter alia*, because of the social structure based on the caste system. The Hindu community was already a victim of this situation and after the inroads of the caste system in the Muslim community it also fell a prey to the same situation. The caste system was already fatal to the economic progress of the Hindu community too. The Muslim community was already encircled by the Islamic prohibitory laws concerning economic enterprise, but with the infiltration of the caste system it was further circumscribed. Thus the Muslim community became doubly blocked in economic development. Originally the social framework of the Muslim community based on true Islamic laws was egalitarian and did not have that tenacity but with the intrusion of the caste system it became tenacious *vis-a-vis* the new rising productive forces. Thus the caste system in the Muslim community proved more a curse than a boon in its economic outlook.

Besides, the caste system in the Muslim community lowered the dignity of labour in it. The dignity of labour, on the whole, in the Muslim community was high. Of course there was slavery and there are instructions in the *Quran* for mitigating it but the overall social brotherhood of the Islamic *millat* was for high dignity of labour. But with the intrusion of the social stratification through the caste system the manual and field labour was looked down upon. But Bhakti movement made some change for the Muslim community as it did for the Hindu community. The overall dignity of labour in the Indian society, both Muslim and Hindu,

was raised which was compatible with the rising new capitalist relationships.

During the British rule the wave of modernization swept over the Muslim community as over the Hindu one. Before the bombardment of the machine-made goods the rigidity of the Muslim social framework began to crack as that of the Hindu community. But by ushering in secondary feudalism in the shape of the Zamindari land tenure system the feudal social framework of the whole Indian society was propped up. Under the British two contradictory trends started, the industrial trend and the secondary feudalism trend. The consequence was that the industrial development of India under the British proceeded at a snail's pace. Both the Muslim and the Hindu community in economic enterprise had to work within the arms of British capitalism or imperialism.

But the Muslim community was already suffering from two bottlenecks : (1) Islamic prohibitory laws : and (2) the newly adopted caste system of the Hindu community and thus was unable to derive that incentive for capitalist enterprise. Besides, the lead in economic enterprise, as discussed earlier, was already taken by the Hindu and the Parsi community and, thus, it went ahead in capitalist enterprise even within the limits allowed by British capitalism while the Muslim community lagged behind.

In fine, Islam gave very little or no incentive to capitalism in India as elsewhere in the Islamic world. Max Weber is, therefore, not wrong in his conclusion in his book *Protestant Ethic and the Spirit of Capitalism* that Islam does not give incentive for the development of capitalism. Maxime Radison in his book *Islam and Capitalism* has written : "The alleged fundamental opposition of Islam to capitalism is a myth... On the theoretical plane, the Muslim religion present no objection to the capitalist mode of production."[14] But he is mistaken. Whatever favourable concessions seem coming out of Islam for the development of capitalism are because of the irrepressible material forces, be it in India or elsewhere in the Islamic world. The might of the objective material forces is eventually decisive in social evolution and before this might no ideology can stem the tide for long. But as a secondary factor Islam inherently as a religion does not offer any incen-

tive for capitalism, as we saw in the case of Islamic India and roughly it is so for other Islamic areas. Max Weber thus gets more corroborated than Rodinson.

So much for the production side. So far as the distribution is concerned in the form of expenditure on social welfare, there was no slackening on the part of Islam in medieval India or during the British rule in India. Ever renewed emphasis was laid on the egalitarian distribution of wealth among the needy and the poor. It means, in modern parlance, Islam gives more incentive to socialism and this incentive has never been affected either by the traditionalist or the modern interpreters of the basic teachings of the *Quran* and the *Hadith*.

In fine, Islam, gives more incentive to socialism than to capitalism while Hinduism gives both to capitalism and socialism.

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CHAPTER V

ALLAUDDIN KHILJI, MOHAMMAD TUGHLAQ, FEROZSHAH TUGHLAQ

In the previous chapter we saw the general Islamic approach to economic problems. And this approach on the whole was pragmatic and moral. This approach laid more emphasis on the egalitarian distribution than on the production side. It had very stringent laws for accumulating and increasing wealth. But its emphasis on equitable distribution and consumption was conspicuous from the beginning.

In the Indian set-up the Islamic laws were not followed to the letter either by the Muslim sovereigns or by the Muslim community in general. But in economic matters, as discussed in the previous chapter, the practice of the Muslim sovereign and Muslim community was inadvertently not much at variance with the main Islamic laws. This gets illustrated by the steps taken by the Muslim sovereigns in the economic field. We shall, therefore, take only those Muslim sovereigns whose steps in the economic field are poignant.

Allauddin Khilji (1296-1316). He imposed 50 cent of the produce as taxes from the Hindus as compared to 33.3 per cent on others. These were collected in kind and grains were stored in royal graneries. It is obvious that such measures affected the agriculturists badly. It sapped their incentive to produce more. Both percentages of 33.3 and 50 are much more than what was in vogue in the pre-Islamic Indian society. It is true, as we saw while discussing Kautilya's *Arthashastra* that only in emergencies the ruling sovereigns were entitled to take higher percentages but in normal times only one-sixth of the produce was considered legitimate. But Allauddin maintained no such convention. Its consequence was that is affected the incentive to produce and accumulate wealth.

Secondly, on the distribution side Allauddin was again strict. He enacted laws for maintaining just prices of the goods and commodities in the market. He could brook no hoarding, no blackmarketing and no squeezing for more prices than he had fixed according to his thinking. He thus created a special department for maintaining the stability of prices. This was further divided into two sub-departments : (1) *Dewan-e-Riyasat* ; and (2) *Shahnai Mandi.* The former department issued permits for scarce commodities, while the latter saw to it that fair prices, as fixed, ruled in different markets.

The merchants were required to get themselves registered and had to bring their articles to Serai where all controlled articles were sold. He had fixed the prices of essential commodities and had introduced rationing for scarce commodities. The shopkeepers were ordained to abide by state regulations and any infringement of those regulations was severely punished.

It is thus obvious that the steps taken by Allauddin Khilji were, on the whole, in conformity with the basic Islamic guidelines.

Mohammad Bin Tughlaq (1325-1351). He experimented with currency reforms which eventually failed. He issued token coins. But because the monopoly of coins was not maintained and because the ratio between the government reserves and the currency issued was not maintained, his entire monetary experiment failed. Forgery was practised on a large scale in society and the people paid taxes in new coins and suppressed gold and silver which became scarce. This adversely affected trade and commerce. Eventually token coins were withdrawn with heavy loss to the state treasury,

Like his other eccentric steps, his currency reform policy also proved eccentric. But the basic philosophy that transpires from such a step was to maintain just exchange and just price in sale and purchase business.

Feroz Shah Tughlaq (1351-1388). He emerges as the first Muslim severeign who paid attention to the production side. He embarked on state enterprise activities. He started the construction of public works, canals and other irrigation facilities. He *paid*

attention to the development of infrastructure. All these were meant for boosting up production. This state expenditure policy led to employment. Thus it can be said that unconsciously, Feroz Tughlaq emerges as the initiator of the state expenditure policy which increased employment.

But while, on one hand, he did his best for increasing production, on the other, he came on the producers with heavy hands in his display of puritanism by imposing Jazia on the non-Muslim community, which formed the largest bulk of the then population. Besides Jazia, he sanctioned Khiraj, Zakat and Kham. All these were in compliance with the Islamic outlines in financial matters. There had been altogether 23 kinds of taxes in one form or another but out of these he retained only those four which were with the Quranic highlights. This taxation policy hit the producer for whom he embarked on those state enterprises. The situation was made even so as far as the actual production was concerned. Thus in sum total of the economic progress, Tughlaq's image is not far different from his predecessors.

Besides these three in the medieval period, there were two Muslim sovereigns who have left their mark by their economic policies. They are Sher Shah and Akbar. But the real architect of their economic and financial policies was Todar Mal. Besides Todar Mal, there was Abul Fazl, the author of the *Ain-i-Akbari* and the *Akbarnama* and who was dubbed as the Muslim Chanakya. Thus the discussion of the economic ideas of Todar Mal and Abul Fazl would amply demonstrate and complete the picture of the overall economic thought of the medieval period.

CHAPTER VI

TODAR MAL (1523-1589)

In a miniature, Todar Mal's major economic thinking, as is well known, was about land revenue. He first served under Sher Shah and then under Akbar and laid the foundation of the economic and financial structure under the both. The full flowering of such thinking gets summed up in the famous Twelve Regulations, approved of and put into force by Akbar in 1582.

The Twelve Regulations dealt with the organizational structure, procedure of measurement, unit of assessment, method of collection, loan, relief and the working of the central revenue department, etc. The basic aims behind the Regulations were the increasing income of the state, the kinds of produce and the kinds of the sources from which they came and the producer. According to Todar Mal all these three were inter-dependent.[1] There can be no improvement in one unless there is simultaneous improvement in the other two. It means the income of the state can't increase unless proper classification and the exact measurement of the land and the landholdings were made. And these two would be no better if the actual producer does not produce or does not have the proper incentive to produce. Hence these Twelve Regulations, which "set a standard for future administrators to follow" and "continued to exist both in Northern India and in Bengal not only throughout the Mughal period but even for several decades after the establishment of British authority."[2] It has been written :

"In order to augment the state's income from land revenue and to make its realization steady and regular, it was necessary to to maintain justice and discipline in its administrative machinery. The Raja (Raja Todar Mal—S. C. J.) rightly realized that this

depended upon the condition of the cultivators and behaviour and attitude of various revenue officials, specially the collectors. It was almost the habit of the revenue officials, in medieval times, to oppress the cultivators ignoring the rules and orders of the Government. In a general way it may be stated that the liberal ideas of Kautilya and generous policy pursued by Sher Shah, under whom he had served, helped and inspired him to endeavour to understand the working and defects of the existing land revenue system."[3]

"In conclusion it can be said that his policy was based on the principle that the state's wealth and prosperity depended upon the welfare and prosperity of cultivation and of cultivators".[4]

The primary step for such a policy was thorough classification of land which was done in four categories. The principle of classification was the continuity or discontinuity of cultivation. These four categories of classified land were :

"*Palaj* is land which is annually cultivated for each crop in succession and is never allowed to lie fallow.

Parauti is land left out of cultivation for a time that it may recover its strength.

Chachar is land that has lain fallow for three or four years.

Banjar is land uncultivated for five years and more."[5] The second step was thorough measurement of these lands when the crops were standing. Then the unit of assessment was the individual cultivator but sometimes it was the village also. Then there were officials or collectors, variously known as the *karori* or *amil* or *amalguzar* to collect the revenues. The unit of territory under their jurisdiction of collection was called *pargana* from where one crore of rupees of revenue was collected. These officials were to grant loans to the destitute cultivators and grant relief to the area affected by natural calamity.

Through such a machinery the revenue that was generally collected from these classified lands was one-third of the produce. The cultivators were induced to pay the revenue voluntarily but in default of this, the officials would collect with due receipt. The preference was that the revenue be paid in cash. And all these constituted the *Zabti* system which prevailed under the Mughals and after.

Besides these concerning land revenue, Todar Mal put the currency system on sound footing. The *rupiya* was first introduced by Sher Shah and Todar Mal made further improvements in the coins of gold, silver and copper during Akbar's time. All care was taken for the exact weight and due refinement of coins. Bimetalism was the basic ingredient of his monetary policy.

Such had been the Twelve Regulations of Todar Mal, who was reputed to have "the knowledge of the world" and was a "farsighted and incorruptible man, who understood the secrets of administration."[6]

But, now, strictly from economic thought point of view, his economic thinking had physiocratic colour. Land and agriculture were the real sources of wealth according to Todar Mal's thinking. New mode of production of merchant capitalism was coming into being all over the world and so it was in India at that time. But being conditioned in the feudal milieu Todar Mal's attention was not riveted towards it.

ABUL FAZL (1551-1602)

Abul Fazl was a historian. And in narrating the economic matters he shines as an economic historian. In fact it is Abul Fazl who in his *Ain-i-Akbari* and *Akbarnama* presents a detailed interpretation of Todar Mal's Twelve Regulations and other economic policies pursued in Akbar's time. And this interpretation is made sometimes with bias and sometimes with objectivity. In doing so his economic thinking runs parallel to that of Todar Mal. The *Ain-i-Akbari* is roughly the summing up interpretation of the events during Akbar's time and this was to make the fifth volume of his projected five-volume *Akbarnama*. He could complete only the three volumes of the *Akbarnama*, the first two were the narrative parts and the third was the *Ain-i-Akbari*.[7]

The *Ain-i-Akbari* is itself divided into five books, out of which the first gives an idea about the imperial mint, prices of foodstuffs and manufactures and the detailed prices of building materials and the wages of labourers, while the third tells us about four categories of land classification, land revenue and its rates, etc.[8]

In fine, both Todar Mal and Abul Fazl, the former as the propounder of the theory while the latter as the interpreter of the

theory, had to work within the overall framework of the economic thought of Islam, discussed earlier.

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CHAPTER VI

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CHAPTER VII

MODERN PERIOD : EARLY PHASE

After the establishment of the British rule in India the situation changed. Before the British, from the womb of feudalism capitalism was being born in India as in Europe. But before the rising capitalist force European feudalism proved brittle while Indian feudalism proved tenacious. In India it was so because Indian feudalism was based on the village community system which had communal ownership of land, unlike private proprietory ownership of Europe and a social structure which was based on the rigid caste system. But despite these hurdles Indian feudalism was being undermined by the rising indigenous bourgeois forces, albeit slowly. In other words, capitalism was being born in India before the British in Way No. I as in Europe but it could not do so. By that time European capitalism, specially the British, appeared on the scene and it nipped the rising indigenous bourgeois phenomenon in the bud.

After the establishment of the British rule in India in 1757 British capitalism started working. But after the middle of the nineteenth century indigenous capitalism in India again started being born, but this time in Way No. II and it is continuing up till now. I have gone into these details about the birth of capitalism in India in my previous work *Studies in the Development of Capitalism in India* (Calcutta, 1963) and thus we won't go into those details here.

Thus after the contact with British capitalism the way of thinking was bound to be affected and it did. And we saw in the previous chapters how the wave of rational revivalism swept over the whole Indian society, both Hindu and Muslim. The way of looking at social developments became modern or what is generally called scientific. The tools and the barometres which were used

by British capitalism were slowly being used by the Indians too for analysing the socio-economic forces. In other words, the approach to economic problems as to other ones, no matter how crudely and inefficiently, became what was in vogue among the new intruders, the British. The former approach to economic problems which was prevalent during the medieval period was on the whole religious and moral. With the advent and the working of British capitalism or British imperialism the approach became modern and scientific. Besides, economic problems, again as other Indian problems, began to be seen in all-India contexts.

Economic thinking in India, thus, after the establishment of the British rule in India started with two major characteristics : (1) modern or scientific approach ; and (2) national and international perspective.

Even among the pioneers of the first phase in the history of Indian economic thought these characteristics were glaring. Dadabhai Naoroji, Mahadeva Govind Ranade, Romesh Chandra Dutt and Gopal Krishna Gokhale were such pioneers. They attached special importance to economic problems and their attempt to analyse and solve those problems in as an objective way as feasible was roughly on par with the then prevalent one in Europe. Thus, in other words, despite their being ethically-minded and highly morally inclined in other social and political matters, they tried their best to be above such subjectivism in tackling economic problems. It means these pioneers did the pioneering work in treating economics as a science as it was being done in contemporary Europe. Thus these early pioneers, specially the triumvirate—Dadabhai Naoroji, Mahadeva Govind Ranade and Romesh Chandra Dutt—had the credit of elevating economics as a social science with its own laws of acting and reacting as in other social sciences. Despite their limitation this very approach was epoch-making in the history of Indian economic thought. Besides, they had "some unity of design, some basic coherence which held together their system of ideas."[1] Thus if they are called the patriarchs of modern Indian political economy it is no hyperbole.

Now let us proceed to their ideas one by one.

Dadabhai Naoroji

Dadabhai Naoroji, the father of Indian nationalism, was in one sense Marx and Engels combined. He was absorbed in doing the theoretical work like Marx but was dabbling in commercial business too like Engels. In the same British Museum Library during the same period when Marx was working on his '*Capital*' there was Dadabhai Naoroji doing his research on Indian economic problems. Both were voracious readers of the Blue Books. But unfortunately we have no record whether they ever met.

Dadabhai Naoroji was born on September 4, 1825 in Bombay. He came of a Parsi family. The Parsi community in India had the distinction of being free from those social fetters from which the Hindu community in general and later on the Muslim community had been suffering. Only the Parsi community being free from social stratification had full social sanction for taking to commercial activities when opportunities for them started emerging for the natives of India from the second half of the nineteenth century. They were quick to avail of those new openings and thus took a good start and remained ahead of others in the commercial race. In business enterprise the Parsis had been the fore-runners of the Hindus and the Muslims.

These Parsis had been settled in India since long. It was in the seventh century when Islamic Arabs conquered Persia that the followers of Prophet Zarathushtra had migrated to and settled down in India.

The ancestors of Dadabhai had domiciled themselves in a small town, Navsari, near Baroda, named after their ancient city 'Sari of Iran'. Dadabhai lost his father when he was only four years old. He had to make his own way.

He had many firsts to his credit. He was the first Indian Professor (Elphinstone College), the first to found several organizations for the social, intellectual and political uplift of the people of India, the first Indian M.P. in England in 1892, the first Indian to sit on a Royal Commission, the first and foremost Indian to claim Swaraj for India and above all, the first Indian to interlink the Indian proletariat with the world proletariat movement at the Amersterdam International Conference in 1904.

Dadabhai was one of the prime movers of the Indian National Congress founded in 1885. He was himself elected its President in 1886, 1893 and 1906 (Calcutta session). He was just worshipped by Mohandas Karamchand Gandhi. Gandhiji wrote in his foreword to R. P. Masani's book *Dadabhai Naoroji : The Grand Old Man of India (1938)* :

"I have always been a hero-worshipper. And so Dadabhai became real *Dada* to me. The relationship took the deepest root in South Africa, for he was my constant adviser and inspirer. Hardly a week passed without a letter from me to him describing the conditions of Indians in South Africa."[2]

Dadabhai's ideas, including the economic ones, are contained in his famous book *Poverty and Un-British Rule in India* (1901), which had its Indian reprint in 1962. The Grand Old Man of India, Dadabhai Naoroji, breathed his last on July 30, 1917 in India.

Poverty and National Income

Dadabhai Naoroji's economic ideas emanate from his concept of the poverty of India. Under the British rule India was just bled white. It was the poverty of the masses of India in its stark nakedness which made him think aloud. According to him, in fact, under the British rule there were the two Indias. He wrote :

"In reality there are two Indias—one the prosperous, the other poverty-stricken.

"(1) The prosperous India is the India of the British and other foreigners. They exploit India as officials, non-officials, capitalists in a variety of ways, and carry away enormous wealth to their own country. To them India is, of course, rich and prosperous. The more they carry away, the richer and more prosperous India is to them. These British and the foreigners cannot understand and realise why India can be called 'extremely poor' when they can make their life careers ; they can draw so much wealth from it and enrich their own country. It seldom occurs to them, if at all, what all that means to the Indians themselves.

"(2) The second India is the India of the Indians—the poverty-stricken India. This India, 'bled' and expoited in every way of their wealth, of their services, of their land, labour, and all

resources by the foreigners, helpless and voiceless, governed by the arbitrary law and argument of force and with injustice, and unrighteousness—this India of the Indians becomes the 'poor' country in the world after one hundred and fifty years of British rule, to the disgrace of the British name."[3]

Dadabhai's whole economic thinking begins from his attempt to find out the root of this polarization—the rich and prosperous at one end, while the poor on the other. The crux of all his arguments and findings was that the poverty of India, under the British, was man-made in the sense it was the British rulers who were responsible for that pitiable predicament of the Indian masses. Even natural economic laws were not allowed full and free play under the British rule. Dadabhai said that—

"there is no such thing in India as the natural operation of economic laws, but it is the thoughtless and pitiless action of the British policy...It is the pitiless perversion of economic laws by the sad bleeding to which India is subjected, that is destroying India. Let natural and economic laws have their full and fair play and India will become another England..."[4]

"The aftermath of this pitiless perversion of economic laws" by the British rule in India was the growing poverty. This Dadabhai demonstrated by calculating the low per capita income in India. It was in July 1870 that he first made a rough estimate of the per capita income of India in his paper on 'The Wants and Means of India' read before the East India Association, London. Let us have in his own words the way he made the estimate. It reads as follows :

"The whole produce of India is from its land. The gross land tax is put down for 1870-71 a little above £21,000,000. Now, I suppose I shall be within the mark if I say, that Government takes for this land tax, on an average, one-eighth of the gross produce, if not more. This gives for the gross production of the country, say, about £168,000,000 ; add to this—gross opium revenue about £7,000,000 ; gross salt revenue, £6,000,000, gross forest, £600,000. The total thus, of the raw produce of the country amounts to under £182,000,000—to be on the safe side, let us say, £200,000,000, to include the produce of half a million tons of coal

of alienation lands, or anything else there may be. Now, the population of the whole of British India is nearly 150,000,000; giving, therefore, less than 27sh a head for the annual support of the whole people."[5]

Quoting this in his paper "*The Poverty of India*", read before the Bombay Branch of the East India Association in 1870, he added :

"I then further raised the production from £200,000,000 to £300,000,000, to include the value of manufacturing industries, excise on spirits, and a large margin for any omissions, making 4s., (roughly equivalent to Rs. 20—S. C. J.) a head for the gross production of India as a high estimate.

"Since then I have endeavoured to work out the same problem directly, as far as the official data I could get enable me to do so."[6]

Thus, Dadabhai's calculation of the per capita income of India in the 1870's was Rs. 20. In the then British official circles the estimate was of Rs. 27, made by Evelyn Baring, Lord Cromer, and David Barbour in the year 1882. Lord Curzon's estimate in 1901 was Rs. 30.

Dadabhai's figuring out the per capita national income was a challenge to the British administrators. It triggered off a lot of controversy. We will see only one and that of F. O. Danvers, an India Office Expert. Danvers criticized Dadabhai for omitting "all reference to railway wealth, Government stock, house property, profits of trade, salaries, pensions, non-agricultural wages, professional incomes and returns to investments, and all other sources from which a man who does not grow food himself may obtain the means of purchasing it."[7]

Dadabhai made a masterly rebuttal of each point of Danvers. Concerning railway wealth, Dadabhai said : "If mere movement of produce can add to the existing wealth, India can become rich in no time."[8] But he added, "Railways are...an indirect means of increasing the material production of any country, but that whatever that means, is its result, is fully and completely included in the estimate of the actual annual production of the country and that there is nothing more to be *added* to such actual material production."[9] As regards Government stock, his reply was : "It

does not form itself produce or create or make to grow out any money or food or any kind of material wealth."[10] About house property, his rejoinder was : "The house does not grow or create the rent by the mere fact of occupying it."[11] Concerning profits from trade, his rebuttal was : "Whatever benefits and 'profits of trade' there are from internal trade, are fully and completely included in the ultimate result of the actual material production of the year."[12] A portion of the actual production through the channel of foreign trade goes clean out of the country to England, without an atom of material return.....instead of.. any addition from foreign trade to the annual product of India, there is actually a diminution or drain of it clean out of the country to England. I grieve, therefore, that I have nothing to *add* from 'profit of trade' as Mr. Danvers suggests, but much to subtract."[12a] About salaries and pensions, Dadabhai's reply was in the same vein: "there is nothing to be *added* as Mr. Danvers asks, from 'salaries and pensions', but much to be *subtracted* that is either spent in England or remitted to England from the resources of India and from which not a particle returns."[13] Then pertaining to non-agricultural wages, he said : "In short, every labourer—mental or physical—has his share for subsistence, through various channels, from the only one *fountain-head the annual material production of the country.*"[14] About profession incomes he said that they also "solely derived from the material production of the country."[15] Lastly, about returns to investments and all other sources, Dadabhai's retort to Danvers was : "There *do not exist* any such other sources except profits of foreign trade. But unfortunately for India, instead of foreign trade bringing any profits, it is actually the channel by which, in addition to all such profits, a portion of the production itself is also swept away."[16]

In this crushing rejoinder to E. D. Danvers, the socialist leader of England, H. M. Hyndman, wrote to Dadabhai : "I have read what you have written with great interest, specially rejoicing in your complete overthrow of that ass Danvers."[17]

Much later, economist V. K. R. V. Rao wrote in his work *An Essay on India's National Income* (1925-29) that Dadabhai's calculations "be accepted as an authoritative estimate."[18] Another

Economist, B. N. Ganguly, has summed up about Dadabhai's method of computing national income in his book *Dadabhai Naoroji and the Drain Theory* thus :

"Apart from his method of computing the national income which was, by itself, a path-breaking innovation and a challenge which had to be accepted by British administrators, he had an acute sense of statistical magnitudes which made his estimation of per capita national income quite plausible as a broad indication of economic reality...What matters...is not whether a particular figure of per capita national income was an underestimate or an over-estimate, but the dynamics of a total economic situation, which caused mass poverty in India."[19]

The basic point in Dadabhai's method, however, was, as we saw him earlier hammering again and again, that he took the "actual material production of the country" as the base in his computation. We saw, to repeat, he said, "The whole produce of India is from its land." Besides, he "included manufactures, products of the mining industry and profits of foreign commerce as well as the output of protective food like milk, fish and meat. He excluded 'services'. Thus, he regarded material primary production as the source of wealth and income in direct and indirect forms and considered it basic in a backward economy."[20]

Adam Smith had talked of actual material production and so had Karl Marx in his "restricted material production concept".[21] Thus, there too, Dadabhai's method of approach was to get to the real solid material production in calculating the per capita national income.

Nay, Dadabhai did not remain complacent in finding out the per capita national income only in money terms of Rs. 20. He wanted to penetrate more into the real value of actual goods and services on which the Indian masses lived their daily or yearly lives. And for this he tried to work out a minimum cost of living i. e., "what is necessary for the bare wants of a human being, to keep him in ordinary good health and decency."[22] The minimum was much higher than Rs. 20 at current prices. Let us see how he himself presented the picture. He wrote :

"In my paper on 'The Poverty of India' I have worked out from official figures that the total income of British India is only Rs. 20...per head per annum. That the mass of the people cannot get this average of Rs. 20, as the upper classes have a larger share than the average... in 1880...in detailed calculations based on official returns the income is Rs. 20 per head per annum and the cost of living Rs. 34."[23]

Thus the per capita per annum income of the Indian masses was, according to him, Rs. 20, while the minimum cost of living was Rs. 34. On this he concluded : "No wonder the forty or eighty million or more people of British India should go through life on insufficient food."[24]

Then "Dadabhai fell back on the frail 'cost of living' and found that the per capita production figures (values) for the various provinces of British India were hardly sufficient to sustain even the frail cost of living."[25] This is how he himself summed up the comparative picture. "Even for such food and clothing as a criminal obtains, there is hardly enough of production even in a good season, leaving alone all little luxuries, all social and religious wants, all expenses of occasions of joy and sorrow and any provision for bad season."[26] Then Dadabhai added : "It must, moreover, be borne in mind that every poor labourer does not get the full share of the average production. The high and middle classes get a much larger share, the poor classes much less, while the lowest cost of living is generally above the average share. Such appears to be the condition of the masses of India. They do not get enough to provide the bare necessaries of life."[27]

Thus, according to Dadabhai, the masses of India under the British rule were leading lives worse than even the jail life.

Such poverty-stricken masses of India were further ground down by the heavy load of taxation by the British rule. So he takes the issue of taxation to demonstrate how heavy was that load in India.

Taxation : "Dadabhai had a dismal view of the pattern of taxation in India. He saw that taxation was the inequitably regressive in character. Its incidence rested heavily on the masses of the population who contributed, in one way or another, 75 per

cent of the total revenue. He regarded land revenue as tax."[28]

Dadabhai's ideas about taxation have to be seen from three angles : " (1) the heavy burden of taxation in relation to taxable capacity as judged by per capita national income, (2) the relatively heavy tax burden in India compared with other countries, and (3) the peculiar oppressiveness of taxation because of its functional relationship with the economic drain."[29]

The per capita national income, according to Dadabhai, as we saw before, was Rs. 27. And we also saw that in the then British official circles the estimate made by Baring and Barbour was Rs. 27. Even this official estimate was, argued Dadabhai, "sufficiently accurate to justify the conclusion that the tax-paying community is extremely poor."[30] Then Grant Duff had said that taxation was not crushing in India because here taxation per capita was only 1s-10d. as against 12s-6d. per capita in Czarist Russia.[31] Grant Duff had excluded land revenue, tributes, opium revenue, etc. Dadabhai considered it highly arbitrary to exclude land revenue. He said : "Whatever a country has to contribute for government has to be produced or earned from foreign trade or, in other words, has to be given from the annual income."[32] His point was that anything that was abstracted from the national income was a tax and so the land revenue was land tax and could not be deducted from the gross revenue receipts in order to compute the taxation burden.

Furthermore from the official circles a figure of 2s-6d. was mentioned by Henry Fowler, Secretary of State for India in 1894, as being the amount of per capita taxation in India. Even this figure of 2s.-6d. as the per capita taxation was, according to Dadabhai, glaringly too heavy. And for putting the whole picture in its true perspective, he presented the comparative picture of the English and the Indian taxation situations. And let us see his own presentation which is as follows :

"The gross revenue of the United Kingdom in 1886 is £89,581,301 ; the population in 1886 is given as 36,707,418. The revenue per head will be 48s-9d. The gross revenue of British India in 1886 is (in £1=ten rupees) £70,690,000 and population in 1881, 198, 790,000—say roughly in 1885, 200,000,000. The

revenue of the United Kingdom does not include railway or irrigation earning ; I deduct, therefore, these from the British Indian revenue. Deducting from £70,690,000 railway earning £11,898,000, and irrigation and navigation earnings £1,676,000 the balance of gross revenue is £57,116,000 which taken for 200,000,000 gives 5s-8½d.—say 5s.-8d.—per head. Now the United Kingdom pays 48s.-9d. per head from an income of £35.2 per head, which makes the incidence or pressure of 6.92 per cent of the income. British India pays 55s-8d. out of an income of 40s which makes the incidence or pressure of 14.3 per cent of the income."[33]

Dadabhai then concludes : "Thus, while the United Kingdom pays for its gross revenue only 6.92 per cent out of its rich income of £35.2 per head, British India pays out of its scantiness and starvation a gross revenue of 14.3 per cent of its income so that wretchedly weak and poor as British India is, the pressure upon it is more than doubly heavier than on the enormously wealthy United Kingdom."[34].

Then he presents the percentage of incidence of taxation of other countries : Germany, 10.7 ; France, 13.23 ; United States, 3.9 ; Canada, 5.0 ; etc.[35] After all these comparative figures, Dadabhai sums up his conclusion :

"But in all these cases whatever is spent returns back to the people whether the percentage is large or small, while in India, what the people pay as revenue does not all return to them, or is enjoyed by them, or fructifies in their pockets. A large portion is enjoyed by others and carried away clean out of the country. This is what makes British India's economic position unnatural."[36].

Dadabhai's analysis, however, does not stop only at these overall national figures of incidence of taxation. He takes the commodity-wise situation as to how heavy is the tax burden in India.

First, about land revenue. We saw he regarded land revenue as a tax. Thus the main question before him was : "Taking the absolute amount of the net produce, is the portion allowed to the cultivators sufficient, on an average, for their year's ordinary wants of common necessaries, and some reasonable comforts together with a saving to face a bad season or to increase the capital of the country for increasing production."[37] He fur-

ther raised questions about the burden of land revenue thus: "Is the burden of taxation on the cultivator of land in an equitable proportion with other classes ?"

Government claims the rights of a landlord. Does that mean that Government must have a certain portion of the produce, no matter even though the taxation be equitably higher than that from other classes ? Or is the Government demand upon land to be adjusted on the principle that, Government requires a certain revenue, the land should pay its equitable quota with all other industries ? Or is it because richer interests can resort to agitation and make themselves heard, while the poor labourer and cultivator cannot, it is felt easier to squeeze them than the other classes."[38]

It is obvious that Dadabhai's stand on land revenue was a progressive one, that the land revenue was regressive in character and fell heavily on the poor peasantry.

Then about salt tax. By raising his objection to the salt tax Dadabhai sowed the wind which changed into a whirlwind later on under Mohandas Karamchand Gandhi. This salt tax affected the basic necessity of the people. About the salt tax, Dadabhai said :

"Taking the share of the agricultural produce which can be considered as left to the masses of the poor to be 20s per head, an ordinary coolie or workman pays on his salt some 4 per cent out of the wretched pittance. But it must be borne in mind that 4 per cent out of 20sh is far more important to the poor than 10 or 20 per cent of the income of the richer classes."[38a]

The British Government in India at that time was "exacting from the poorest of the people 700 per cent in some places, and 600 per cent on such a necessary of life as salt."[39] Dadabhai deprecated this and said that the people are in such a wretched plight that they have nothing that Government can tax, and that government must, therefore, tax an absolute necessary of life to an inordinate extent."[40]

Concerning the taxes on the narcotics he felt that they also fell heavily on the poor.

This was the per capita rate of taxation and in the commodity-

wise taxation, the Indian masses, according to Dadabhai, were inordinately sucked. The basic principle of taxation, according to him, should be "the natural developments by improved government and of the increasing prosperity of the people."[41] and how to return to the people what is raised from them."[42] And in this the British Government record in India was a gross failure. He then again summed up the whole taxation situation in India like this: "The whole British taxation returns entirely to *the people themselves from whom it is raised.* But the 2s.-6d. so oppressively obtained out of the poverty-stricken Indians does not all return to them. No wonder, that such a destructive and unnatural system of the administration and management of expenditure, millions perish by famine."[43]

The third angle from which Dadabhai's ideas about taxation are to be seen is its functional relationship with the economic drain about which we shall see when we discuss his Drain theory.

After taxation, Dadabhai's ideas about public finance come up. We have seen that 75 per cent of the total revenue was derived from land revenue, salt, excise and stamps etc., 16 per cent was derived from the government's opium monopoly and 7 per cent from custom revenue.[44]

So far as the expenditure side was concerned, the army and the navy devoured 43 per cent ; 16 per cent was spent on police, justice and civil administration ; 18 per cent was spent as the return to British capital invested in the railways etc. So 59 per cent of public expenditure by the British government was spent on defence administration and the maintenance of law and order. And only 15 per cent of the public expenditure was on the so-called welfare services like public works, education etc., about which also Dadabhai was doubtful from a fair cost benefit principle point of view.[45]

Dadabhai made a scathing criticism of the whole British Government expenditure in India in his papers entitled "Commerce of India" and "Financial Administration", both written in 1871.

According to him, it was "much reckless expenditure"; [46] and it lacked "intelligent adaptation of financial machinery."[47] Besides, he was vehemently critical of the British Indian govern-

ment's military expenditure. The mounting military expenditure through the British forward policy was grossly unjust. Before the Welby Commission in 1895 on Indian finance he substantiated his indictment of British military expenditure with ample facts and figures. His plea was for proper apportionment of expenditure between India and Britain. Similar was Dadabhai's pungent criticism of the so-called public debt. His conclusion was :

"Public debt (other than for public works). This debt is not a business debt in any possible way. It is simply this political burden put upon India by force for the very acquisition and maintenance of the British rule. It is entirely owing to the evil administration of expenditure in putting every burden on India."[48]

The Drain Theory : The poverty of India, whose graphic presentation Dadabhai made by computing the low per capita incomes of the Indian masses, the way the Indian people were ground down by heavy taxation and were leading lives worse than criminals in the prison, was according to Dadabhai, basically because of the drain of the Indian resources to England. It is this drain of the Indian wealth which is at the very root of India's poverty. Thus Dadabhai's drain theory is the quintessence of his whole economic thought. B. N. Ganguly in his same work *Dadabhai Naoroji and the Drain Theory* says :

"The drain theory comprehends the essence of what he wanted to say as a patriotic citizen who had studied the causes of poverty in a colonial economy. From the angle of methodology this theory provides an excellent conceptual framework within which Dadabhai's economic ideas and his assessment of the burning questions of his times easily fall into place to form a coherent whole, so as to appeal to even a sophisticated student of modern economics."[49]

The story of the drain of the Indian resources has been well recorded in the pages of history. It is well known how even the pace of the Industrial Revolution in England was accelerated by the loot of India. It has been written by Brooks Adams :

"Very soon after Plassey, the Bengal plunder began to arrive in London and the effect appears to have been instantaneous ; for all authorities agree that the 'Industrial Revolution', the event which has divided the nineteenth century from all antecedent time, began with the year 1760. Prior to 1760...the machinery used for spinning cotton in Lancashire was almost as simple as in India ; while about 1750 the English iron industry was in full decline. At that time four-fifths of the iron used in this kingdom came from Sweden.

"Plassey was fought in 1757, and probably nothing has ever equalled in rapidity of change which followed. In 1760 the flying shuttle appeared and coal began to replace wood in smelting. In 1764 Hargreaves invented the spinning jenny ; in 1776 Crompton contrived the mule ; in 1785 Cartwright patented the powerloom ; and, chief of all, in 1762 Watt matured the steam engine the most perfect of all vents of centralising energy. But, though these machines served as outlets for accelerating movement of the time, they did not cause that acceleration. In themselves inventions are passive, many of the most important having lain dormant for centuries, waiting for a sufficient store of force to have accumulated to set them working. The store must always take the shape of money, and money not hoarded but in motion. Before the influx of the Indian treasure and the expansion of credit which followed, no force sufficient for this purpose existed ; and had Watt lived fifty years earlier, he and his invention must have perished together. Possibly since the world began, no investment has ever yielded the profit reaped from the Indian plunder because for nearly fifty years, Great Britain stood without a competitor. From 1694 to Plassey (1757) the growth had been relatively slow ; between 1760 and 1815 the growth was very rapid and prodigious."[50]

Thus we see it was the drain of the resources from India which added an impetus to the Industrial Revolution too. But after the establishment of the British rule, this reckless plunder of India was replaced by "organized economic drain."[51] It was this phenomenon of "organized economic drain" which Dadabhai held to be the villain of the piece of India's whole grinding

poverty. There were very many British officials' opinions and reports, starting from that of John Shore's opinion in 1787, Cornwallis' opinions in 1790 nnd Montgomery Martin's opinion in 1816 down to that of others in the 1870's to the effect that there was the drain of India's resources. They had used the expressions, "trade with no equivalent returns", "drain of wealth", "remittance of surplus", "annual tribute", etc. Dadabhai often quoted them in support of his drain theory. Nay, he specifically enumerated those official opinions and findings in his work *Poverty and Un-British Rule* (pp. 35-46). We will, thus, skip over those official opinions and confine only to the way he propounded his own drain theory.

But before we come to Dadabhai's drain theory, the mercantilist view of drain has to be recalled. According to the mercantilist view, the more gold and silver come back to the country after exporting goods and commodities, the richer would be the country. The noted mercantilist writer Thomas Mun who was also a director of the East India Company had said : "That part of our stock which is not returned to us in wares must necessarily be brought home in treasure."[52] And according to another mercantilist writer Josiah Child, "if the Exports exceed the Imports, it is concluded the Nation gets treasure by the general course of its Trade : it being supposed that the over-surplus is imported in bullion and so adds to the treasure of the Kingdom ; Gold and Silver being taken for the measure and standard of Riches."[53] Thus, if the export and import business does not bring back enough bullion enventually, it is pure external drain according to mercantilist thinking.

It is true by the time of Dadabhai the export and import concept had outgrown this mercantilist view in economic throught in general. But it died hard and Dadabhai had fought amply against it in defence of his own theory.

Now, Dadabhai's drain theory, on the whole, is an external-cum-internal drain theory. "It was a kind of built-in mechanism which extorted resources out of a low-level colonial economy, and the surplus, thus, generated through a complicated process was drained out of the economy through the process of external trade,

the dynamics of which was supplied by the unilateral transfer of funds."[54] By this unilateral transfer of funds from poor India to rich England it was the clear-cut undisputed loss to India. But as an analyser of the working of objective economic forces he was quick to grasp its repercussion in the drain from the poor rural sector to the budding rich sector inside India. It means, to Dadabhai, "The external economic drain was the counterpart of the internal economic drain."[55] To repeat : "The external economic drain because of unrequited exports, non-commercial exports which did not bring in any return in the shape of imports,"[56] while the internal economic drain was "transfer of purchasing power from the poverty-stricken, rural areas of the country.....to the urban centres.....which eventually took the form of requited exports to England."[57]

We shall first take the external economic drain and would see as to what constituted it. In Dadabhai's words :

"This drain consists of two elements—first, that arising from the remittances by European officials of their savings and for their expenditure in England for their various wants both there and in India ; from pensions and salaries paid in England ; and from Government expenditure in England and India. And the second, that arising from similar remittances by non-official Europeans."[58]

For demonstrating this he takes up the export and import picture under the British rule roughly from the very beginning of its establishment. Here again Dadabhai goes to the very root of the matter. Just as in finding out the real poverty of the Indian masses he took actual material production of the country into consideration, so in the balance of payments position Dadabhai was not concerned "whether the balance of payment balances, for it always will, but how it balances, i. e., (i) at what level of transactions ; (2) with what composition of transactions; and (3) within what constraints of economic conditions and policies."[59] And this is the scientific approach which Dadabhai applied in finding out the actual economic drain out of India in solid resources of the country.

Thus taking the export and import side with 15 per cent commercial projects for the period from 1835 to 1872, he concludes :

"The exports of India for the years 1835 to 1872 being £ 1,120,000,000, the imports with an addition of 15 per cent to exports for profits (of about £ 1,168,000,000) should be about £ 1,288,000,000. Besides this, India has incurred to foreign parts a debt, of about £50,000,000 for the public debt and about £100,-000,000 for railways, during the same period.

"Now...in return for the exports plus profits of £1,288,000,000 and £150,000,000 of the loans. India has actually imported during the last 38 years, from 1872 (not as would be the case in a normal conditition, £1,430,000,000) but only about £943,000,000 leaving a balance of about £500,000,000 which England has kept back as its benefit, *chiefly arising from the political position it holds over India.*"[60] (Italics mine)

This gets clarified when he worked out the average yearly drain from 1835 to 1872. According to him, the annual average drain for the period 1835 to 1839 was £5,347,000 but for the period 1870-1872 it came up to £27,400,000.[61] In other words, at the beginning of the nineteenth century the annual average drain from India was of £3 million while at the end of the nineteenth century it came to £30 million[62] i.e. ten times more.

The essence of Dadabhai's this finding gets corroborated by that of Karl Marx when he wrote :

"What the English take from them (Indians) annually in the form of rent, dividends for railways useless to the Hindus, pensions for military and civil service men, for Afghan and other wars, etc., —what they take from them *without any equivalent* and *quite apart* from what they appropriate to themselves annually *within* India—speaking only of the value of the commodities the Indians have gratuitously and annually *sent over* to England—it amounts to *more than the total sum of income of the 60 millions of agricultural and industrial labourers of India.*"[63]

Again in *Capital*, Vol. III, Marx wrote : "India alone has to pay £5 million in tribute for 'good government', interest and dividends on British capital, etc., not counting the sums sent home annually by officials as savings from their salaries or by English merchants as part of their profit to be invested in England."[64]

This economic drain, both according to Dadabhai and Marx, was as said earlier, because of the unilateral transfer of funds, the unrequited exports for which there was no equivalent return. About unrequited exports, Marx said : "to the extent that the imports from abroad enter into the revenue of England, of course, they must be paid for in the form of tribute, for which no equivalent is necessary, or by exchange for this unpaid tribute, or in the ordinary course of commerce—England can *consume* them or *re-invest* them as capital."[65] (Italics mine.)

"Dadabhai also explaind how part of the unrequited exports or unpaid tribute was reinvested in India, thus generating further 'unrequited exports'. Karl Marx's notion that India's 'unrequited exports' entered into the revenue of England was exactly similar to Dadabhai's characterization that 'it is so much additional capital drawn away, whether India will or not, from the industry of India to the benefit of English industry."[66]

Dadabhai's this theory of economic drain was criticized from the British official circles that this surplus exports from India was duly returned in silver and India was again becoming the sink of precious metals as before the British. Dadabhai made a befitting rebuttal of this criticism about which we will see later. Then how this econmic drain was further aggravated by the manipulation of exchange rate, i.e., 'loss by exchange', this too we will see when we will discuss his ideas about money and monetary theory.

So much for the external economic drain. But its counterpart inside the country was the internal economic drain. By heavy per capita taxation the produce from the poor countryside was swept to the growing industrial centre. And thus the disparity between the vast rural India and the limited urban India went on widening under the British rule. India of the poor and India of the rich with which Dadabhai started his investigation of the poverty of India were, thus, the inevitable resultant of the internal economic drain. This transfer of purchasing power from undeveloped rural area to the so-called developed urban area has been discussed under taxation and thus we won't go into it again. But how Dadabhai discussing the then Indian

economic problem was highlighting the shape of the things to come later on is well-debated and discussed at present among the economists' 'regional imbalances' problem and in the developed and backward areas problem.

Besides, in this economic drain Dadabhai found brain drain too. In fine, Dadabhai's conception of the economic drain extended from the micro-economic to the macro-economic diversion and embraced a theory of the drain of purchasing power embracing economic classes, regions and countries themselves.[67] And "this is in harmony with some of the significant modern speculations on inter-regional and international economic relations."[68] With this drain theory while Dadabhai worked out his economics, he talked politics whose reverberations have not ceased uptill now. But more about this later on.

Free Trade and Protection :

As was in the age of Dadabhai, he believed in free trade. For twenty years he was a member and in the Exceutive Committee of the Cobden Club. But the way Indian resources were drained out of the country and the masses were in living in stark poverty, protection was a must. His own words are like this :

"I like free trade but...free trade between England and India is something like a race between a starving exhausting invalid and a strong man with a horse to ride on. Free trade between countries which have equal command over their own resources is one thing but...before powerful English interests, India does go to the wall... Young colonies...need protection. India need it in a far larger degree...Let India have its present drain brought within reasonable limits, and India will be quite prepared for any free trade."[69]

Money and Monetary Theory :

Just as in calculating the per capita annual income of the Indian masses and just as in his theory of the drain of Indian wealth, Dadabhai went to the actual material production in possession or being deprived of it, so concerning money and monetary theory his ideas were as to how far these affected favourably or adversely the common people. If these affected the common people adversely, according to Dadabhai, "whether the currency be gold, or silver, or copper, or lead will not be of the slightest conse-

quence."[70] He believed in maintaining the stability of the value of money and any tampering with it will go against the common people. But the milieu in which India was under the British the monetary policy was not maintained. Thus under the British the monetary policy in India had, according to Dadabhai, two aspects : (1) political and (2) commercial.[71] India was on the silver standard but in 1893 the Indian mints were closed to the free coinage of silver and the rupee was linked to gold or a gold standard currency, the pound sterling at an artificial rate of 1s-4d.

Dadabhai was opposed to the gold exchange standard as it affected the poor tax-payer. He said :

"The proposal to introduce a gold currency into India is based on the argument that it would save all present loss to the people of India from the fall in exchange. It will do nothing of the kind. It will simply inflict greater loss and hardship on the wretched Indian tax payer."[72]

Then he explained it thus : "The Indian tax payer at the time when exchange was 2s per rupee, was sending produce to England worth 16 crores of rupees to meet the payment of £16,000,000. Now, taking exchange, say, around 1s per rupee, he has to send produce worth 38 crores of rupees to meet the (present) remittance of £19,000,000 or at a double rate. To avoid the confusion of ideas...when one rupee was equal to 2 s, the Indian taxpayer sent, say, one million tons of produce to meet the £10,000,000 of home charges ; when a rupee is 1s. he has to send two million tons of produce to meet the same demand whether the currency be gold or silver or lead, will not be of the slightest consequence. The Indian tax-payer will have to send to this country as much produce, and not one ounce less, as would purchase £19,000,000—the only difference in the quantity of produce to be sent will depend solely on the rise or fall in gold."[73]

Thus, the introduction of the gold exchange standard was further to add an impetus to the economic drain from India. Similarly, concerning bimetalism, on the whole, he said : "nothing that is not intrinsically sound can be foisted on the world by law. It would be like trying to stop or regulate the gravitation by law. The result would be that the actual currency will be reckoned in

silver at its intrinsic premium, causing temporary confusion and loss to the ignorant and to the existing gold claimants."[74] British India will be left where it is now, will have to remit Home Charges as at present with *increased quantity of produce to make up the higher intrinsic value of gold payment.*"[75]

Dadabhai, however, advocated the return to silver because the tax-payar would bear taxation with open eyes and "submit to such additional taxation only after careful and earnest reduction of expenditure and avoiding of suicidal and unnecessary wares as will be absolutely necessary to meet the deficit caused by the natural fall of exchange, instead of a *concealed* enhancement of the *whole* taxation of the country."[76]

Concerning the criticism that India was again becoming the sink of the precious metals it was also proved by Dadabhai as a myth. His argument was : "If I give out £20 worth of goods to any body and in turn get £5 in other goods and £5 in silver, and yet if by so doing, though I have received only £10 worth in all for the £20 I have parted with, I am richer by £5 because I have received £5 in silver, then my richness will be very uneviable indeed."[77]

Then he takes up the figure for the total amount of silver in India from 1801 to 1869 and that of Britain only for the period of twelve years from 1858 to 1869 (both inclusive) and makes the conclusion that "about 30sh a head (is) retained by the United Kingdom within a period of twelve years, independent of its circulating coin, while India retained only 33s-6d a head during a period of sixty-nine years for all its purposes."[78]

In fine, Dadabhai showed a rare grasp of the monetary theory."[78a] in the fact that the monetary policy is a means for the economic development and betterment of the people but under the British in India it was pursued for bleeding them.

Prices :

Dadabhai believed that the prices are determined by the working of the demand and supply forces and the quantity of money in circulation. But unfortunately even this working of these forces was not freely allowed in India under the British. Accordingly, to him high prices are caused because of one of the

following reasons :

"1st—From a natural healthy development of foreign commerce, which brings to the country fair profits, upon the exports of the country ; or, in other words, the imports exceed the exports by a fair percentage of profits, and thus add to the wealth and capital of the country.

"2nd—From a quantity of money thrown into the country, not as the natural profits of foreign commerce, but for some special purpose independent of commercial profits, such as the railway and other loans of India expended in certain parts where the works are carried on, and where, therefore, a large collection of labour takes place requiring food that is not produced there ; and on account of bad and imperfect communications occasioning a local and temporary rise in prices.

"3rd—From scarcity of food or other necessaries, either on account of bad season or bad communications or both ; in other words, either there is not enough of food produced, or the plenty of one district cannot supply the deficiency of another, or both."[79]

The first cause, according to Dadabhai, however, is not at all operative in India."[80] In other causes there was a great rigging and manipulation on the part of the Government of India.

In fine, the rise and fall of the prices in India was more because of the manipulation of the financial policy for draining Indian resources out of the country than the natural play of economic laws.

Capitalism and Socialism :

Roughly we have discussed up till now the major economic ideas of Dadabhai Naoroji. Whatever we might have missed can be covered if we take a cursory view of his ideas, if any, about the overall economic production and production relations prevailing in his time and the production system, if any, which he visualized after his devastating criticism of the ecomomic ills in India under the British rule. It may sound too far-fetched to hunt for his ideas about capitalism and socialism in his economic thought. But just as Karl Marx in his *Capital* while dissecting

the working of capital upto the minutest details meant another production system, i. e., socialism, so Dadabhai while painstakingly going into the minutest possible details, backed by all possible facts and figures of the working of economic relationship in India under the British rule, his presentation meant some other system in place of the system against which, with all faith and zeal, he was making his scathing criticism. And this is also true that nowhere there is any mention of the word, either capitalism, or socialism, in his writings. B. N. Ganguly, therefore, finds it "impossible to label his economic ideas",[81] and thinks it "neither logical nor desirable to try to label Dadabhai's economic thought with any kind of brand name."[82]

But the discussion of a few more points in his economic thinking would clarify Dadabhai's stand vis-a-vis capitalism and socialism.

Firstly, as we have seen, Dadabhai very clearly and repeatedly argued that there are two Indias—the India of the poor and the India of the rich, the so-called "prosperous" India of the British rulers and their native hangers-on. In other words, Dadabhai knew and believed that the Indian society was a class society and the economic production structure plus the political administrative super-structure were being run from this *class interest* point of view. He put it in the terms of "classes" and "masses".

Secondly, Dadabhai was very unambiguous in saying that the very economic drain was because of British capitalist exploitation. His expressions are : "The action of the British trader anp capitalist exploitation"[83], "all Indian resources of land and labour are further exploited by 'British' capitalists of every kind,"[84] "the foreign exploiters"[85], "so voracious are these exploiters that they clamour against Government for not putting its whole revenue at their disposal" ;[86] commercial or capitalistic exploitation,"[87] "indebtedness in the name of which the bleeding and exploitation, are unceasingly and ever increasingly carried on and which is so pleasant, so profitable, and so nice an cxcuse to the Anglo-Indian and British capitalists' heart"[88] ; "indebtedness is simply bleeding and exploitation" ;[89] "balance of trade is.....neither any trade, or balance of trade...it is simply

and solely the exploitation of the non-official capitalists;"[90] "cruel exploitation";[91] "wealth withdrawn from India—went into the pockets of the capitalists and higher classes—it did not benefit the working men of Great Britain."[92]

Thus from these expressions it is amply clear that although he did not use the term capitalism he was fully aware of its working and how the capitalists of Britain exploit the real producers of wealth both in India and even in Britain. Just as India was a class society, so was Britain to Dadabhai.

Thirdly, it is profit, higher rate of profit, for which capitalism and the capitalists of developed country, like Britain, run after undeveloped areas. By his drain theory Dadabhai wanted to demonstrate and hammer this basie law of the working of British capitalism in the colonies like India. And we saw that Marx's findings were also of the same kind. In fine, it won't be wrong if it is said that Dadabhai's approach in economics was not different from that of Marx.

Fourthly, Dadabhai was convinced after his analysis of the objective forces working in British-Indian relationship, that such an exploitative system as established in India by Britain cannot last long. It is true he spoke in terms of Un-British rule, unjust rule, etc., but he was clear in his understanding that the inherent contradictions of the British rule in India would end it soon.

Thus, from all these it won't be wrong if it is concluded that Dadabhai found capitalism, be it British, or its rising junior partner indigenous Indian capitalism, the root of all grinding poverty in India.

Concerning socialism, Dadabhai's stand can be known from the following points.

Firstly, although we have no evidence whether Dadabhai ever met Marx or even Engels who was alive up to 1895, while Dadabhai was elected to the British Parliament in 1892, yet it is well recorded that he was quite at home in the comity of the socialists. His close contact and correspondence with Marxist Henry Mayers Hyndman are to throw much light on Dadabhai's socialist leanings. By his thinking and his way of analysing the socio-economic forces, Dadabhai "had come to believe that it was the work-

ing class that could help India considerably, and the people of India should win the daily growing labour force to their side."[93] His "innate sympathy with labour had attracted him to the working classes and led him to identify himself with movements to ensure social justice."[94] "Under the title *The Rights of Labour* he had formulated and published a scheme for the establishment of Industrial Commissioners' Courts and for the recognition and protection of labour as a property."[95]

But "a striking proof of his socialistic tendencies"[96] and which "gave a shock to his friends and supporters and created a stir in India"[97]" was when he attended the Second International Socialist Conference at Amsterdam from August 20, 1904. How at home he felt and how warmly he was received by the International Socialists has been well depicted by R. P. Masani in his biography of Dadabhai like this :

"At the International Socialist Congress Dadabhai was received as an honoured guest representing the people of British India. At one of the sittings the question of India was introduced by a British delegate. The resolution condemning the system of British rule in India, moved by him, had the familiar ring of the numerous resolutions passed at meetings held under Dadabhai's lead in the United Kingdom. It called upon the workers of Great Britain to enforce upon their Government the abandonment of the 'dishonourable' system of administration and the withdrawal of British control.

"At that stage the President Van Kol, a member of the Dutch Parliament, introduced Dadabhai to the assembly. In calling upon him to address the meeting, he asked the audience to rise and stand in silence to mark their respect and commiseration for the suffering millions of India. His words were the signal for one of the most inspiring manifestations of fellow-feeling. As Dadabhai walked slowly to the centre of the platform, he had a rousing reception. The delegates, about a thousand, leapt to their feet and stood uncovered before him in solemn silence. Then their thougts turned from the Indian people to the dignified presence of their representative himself, and they gave him a tremendous ovation. It was a most impressive spectacle...the exploited and the down-

trodden working men and women of Europe expressing their goodwill and extending their hand of fellowship to the suffering millions of India...

"The resolution condemning the system of British rule in India was carried without opposition. 'That means', observed the President, 'that this Congress brands Great Britain with the mark of shame for the treatment of India."[98]

Again, on July 29, 1905, he attended another gathering of the Socialists in London. So he was in close contact with the International Socialists and it can be aptly said that Dadabhai was the first Indian to interlink the Indian proletariat with the world proletariat movement.

If he differed with the International Socialists it was in the technique of social revolution. When H. M. Hyndman used to hammer that only "a great upheaval"[99] "a great stir",[100] "the inevitable crash"[101], "a Revolution by peaceful means if possible, but at the critical moment...from force if.. strong enough"[102], would solve the problem both of Britain and India, Dadabhai used to reply to him : "All that you say is true but Indians cannot do yet what you say. You should realize their position in every respect..."[103]

But just as his thinking and analysis of the economic forces working behind the British Indian relationsihp had made him convinced that it was the very system of capitalism at the root of whole evil, so he had slowly realized the futility of the method of imploring the ruling authorities. Thus, his language changed in arousing the consciousness of the Indian masses. "Agitate, agitate, agitate" [104], became the alpha and omega of all his behests to the Indian people for settling their account with the British ruling authorities. He said, "England has in reality been the most disastrous and destructive foreign invader of India and, under present lines, unceasingly and every day increasingly continues to be so."[105] "The former rulers were like butchers hacking here and there, but the English with their scientific scalpel cut to the very heart and yet lo ! there is no wound to be seen and soon the plaster of the high talk of civilization and progress and what not covers the wound."[106].

And Dadabhai slowly got convinced that the aggravating situations under the British rule would lead ultimately to struggle, whose inevitable result would usher in the nemesis of the British hold over India. This is what he had concluded :

"No prophet is required to foretell the ultimate result of a struggle between a discontented two hundred millions and a hundred thousand bayonets. A drop of water is insignificant but an avalanche may some times carry everything before it. The race is not always to the swift. A disaffected nation may fail a hundred times and may rise again ; but one or two reverses to a foreigner cannot but be fatal. Every failure of the natives, adding more burdens, will make them the more impatient to throw off the foreign yoke."[107]

"Once India is fully roused and in these days of rapid development of...forces this may come much sooner than we can expect, it will be impossible for England to hold her own firmly."[108].

Thus such explicit had been the stand of Dadabhai vis-a-vis capitalism and socialism. But B. N. Ganguly has summed up the overall stand of Dadabhai like this :

"In politics he was a moderate who spoke in the accents of some of the most fervent extremists of his times. He admitted that he was Cobden Club free trader, but clearly saw that protection was absolutely necessary in the unnatural conditions of India. Was he a socialist ?...he was on the same plane of thinking as Marx on the subject of economic drain. Did he not present a harrowing picture of the functioning of a dependent colonial economy ? Did he not uncover the stark reality of economic exploitation in the broad sense of the term ? Were not his concepts concerning national income formation as radical as those of socialists ? Did he not at any rate towards the closing years of his life, align himself with the cause of labour and ever attend a socialist congress ? And yet Dadabhai was a man of peace who abjured violence, who believed in the virtue of national education, in the slow processes of resource development, in the creation of economic and social overheads, in the loosening up of a tradition-bound society and in the encouragement of private enterprise working hand in hand with State. If he was a socialist he had imbibed what many would des-

cribe as Mill's mild socialism...He was essentially a pragmatist, an empiricist who did not want to be wedded to any dogma and yet never faltered in his fight for the underdog."[109]

Dadabhai Naoroji, the Father of Indian Nationalism sowed the seeds which were harvested three decades after his death but the problems about poverty and drain that Dadabhai Naoroji, the Patriarch of Indian Economics, raised have yet to be solved in India

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CHAPTER VIII

MAHADEV GOVIND RANADE (1842-1901)

Mahadev Govind Ranade was born at Nasik on January 18, 1842. Shy, taciturn and studious was he during his school and college days. History and Economics had been his major subjects while preparing for B. A. (Hons.) examination. In 1864 he was appointed lecturer in Economics at the Bombay University. In 1865 he completed his Ll.B. For a few years he practised law. In 1867 he became a Judge in Kolhapur State ; in 1885 the Law Member of the Bombay Legislative Council and in 1893, Judge of the Bombay High Court.

Like Dadabhai Naoroji he was one of the prime movers of the founding of the Indian National Congress in 1885. Nay, it was Mahadev Govind Ranade who had suggested the name "National Congress" and which was accepted among various other names like National Union, National Conference, National League, National Assembly in founding the Indian National Congress in 1885. Similarly he was the main force behind the Sarvajanik Sabha, founded in Poona in 1870 for intensifying social reform movements like the widow marriage, stopping of early marriage in Maharashtra in particular and in India in general.

He was a voracious reader and a prolific writer. His twelve lectures on the Indian economy were published as *Essays on Indian Political Economy* in 1898. He breathed his last on January 16, 1901 at Poona.[1]

Speaking in 1904, Gopal Krishna Gokhale said : "Mr. Ranade was pre-eminently great and a pre-eminently good man—a great thinker, a great scholar, a great worker, a saintly man in private life...But he was more.. He was a man with a mission in life...the preacher of a new gospel, one who imparted a new impulse to our thoughts and breathed a new hope into our hearts. And this mission was to interpret to us the new order of things, that had

come into existence...to point out to us its meaning, the opportunities it afforded, the responsibilities it imposed and the rich harvest that was to be gathered, if only one did not shrink from the labour that was demanded of us. And high indeed were his qualifications for delivering his message to us. A great, massive intellect, a heart that over-flowed with the love of his country, an earnest and dauntless spirit, an infinite capacity for work, patience inexhaustible...a man so equipped could worthily undertake the task of moulding the thoughts and hopes and aspirations of his countrymen."[2]

Historical Approach :

Before we discuss his economic ideas it is a little imperative to have a look at his method of tackling any problem. This is so because he himself paid particular attention to how the rising problems of the Indian society under the British rule were to be studied and solved. And his method of approach was what is commonly called historical. The historical method, he himself explained, is one "which takes account of the past in its forecast of the future."[3] "Whether he was examining an economic, social or administrative problem, he applied to it the historical method."[4] How far and in what ways he applied this historical method in economic matters we will see a little later. Here we will see how in social, political and cultural matters too he applied this method. His approach was an integrated approach. He believed that the political, social, economic and cultural relations are all inter-related and they could not be broken into separate water-tight compartments. Ranade said : "The integrity of any human being cannot be broken up into separate spheres of activities."[5] According to him, social development was either all-sided or not at all. It was not only one factor responsible for growth but many. In other words, his approach was not monistic but pluralistic in which the impact of the past cannot be ignored. Ranade explains :

"The true reformer has not to write upon a clean slate. His work is more often to complete the half-written sentence. He has to produce the ideal out of the actual and by the help of the actual. We have one common stream of life flowing past us and we must accept as valid the acts which were noted in the past, and on the

principles of the past and seek to turn the stream with a gentle bend here and a gentle bend there, to fructify the land we cannot afford to damn it up altogether or force it into a new channel... We cannot break with the past altogether ; with our past we should not break for it is a rich inheritance and we have no reason to be ashamed of it."[6]

Being himself the product of the British institutions, nationalism and pragmatism were the basic ingredients of his approach.

Economic Theory :

In economic matters, Mahadev Govind Ranade was the first Indian who did some specific thinking on economic theory too. We have seen that Dadabhai Naoroji by raising, inter alia, the two basic problems—the poverty of India and the drain of Indian wealth to England—had done the spadework in the field of economics. Ranade himself acknowledged : "Prof. Dadabhai has done right yeoman's service in meeting the enemy on his own lists, and removing the veil from these mysteries of Indian administration."[7] Thus, Ranade started from where Dadabhai had left. Nay, he "carried the battle on to the field of economic science itself."[8] In other words, it was Ranade "who provided a theoretical basis to the economic thought of his Indian contemporaries."[8a]

The British economic policy in general, and in India in particular, in the nineteenth century was guided by the theories of the British classical school. It is true by the end of the nineteenth century when Ranade did his theoretical thinking the reality had much changed from that pristine classical outline but nevertheless scars of the classical school were still prominent in economic policy making under the British rule.

Mahadev Govind Ranade, therefore, made a thorough study of Adam Smith, Ricardo, Malthus, Mill and others to find out as to how far those theoretical ideas were applicable to the concrete Indian situations. By that time, vis-a-vis the classical school, the historical school of Sismoodi, Adam Muller, Fredrick List and others had come into the picture. They criticized the classicists on three points ; (1) psychological assumptions ; (2) universality of economic laws ; and (3) use of the deductive method. According to the classicists, man is an economic being guided by self-

interest, i.e., home economics. The historians replied that besides the motive of self-interest, there were other motives which goaded man to activity. This psychological assumption of the classicists was thus not acceptable to the historians. According to the historians, historical, geographical, political and other social institutions also affected man's activity, hence the same economic laws would not be valid for every human society. Lastly, to the deductive method, the historicists' rejoinder was the inductive method.

In a miniature, the quintessence of the classical economic philosophy was the theory of laissez-faire, of rigid non-interference by the state in economic affairs, was basically opposed by the historical school. According to historical school, the state can also play a useful purpose by its intervention in economic affairs. By rendering help the state can also help lead to economic progress, the historicists theorized.

Mahadev Govind Ranade made a thorough study of this historical school too and was greatly influenced by it, specially by Adam Muller and Fredric List of Germary.

In 1892, Ranade took up Indian political economy as the subject of his address in the Deccan College, Poona. In 1898, this was published in book form entitled *Essays on Indian Political Economy*. If Dadabhai Naoroji's *Poverty and Un-British Rule in India* is called the Mahabharata of Indian economics, Mahadev Govind Ranade's slim *Essays on Indian Political Economy* can be aptly called the *Bhagavat Gita* of Indian Economics.

Anyhow, in these *Essays*, Ranade assailed the classical economic theory on which the Government of India and its officials were taking their stand.[9] At the outset, in his work he said that the traditional assumptions of economic theory were true only for England.[10]

His other major theoretical arguments have been summed up like this :

"Ranade pointed out that these truths or laws were founded on a number of assumptions, such as that each person pursues self-interest, that each has perfect knowledge of his interest and the capacity of acting according to his knowledge, and that there

is perfect mobility of labour and capital. Ranade dealt in two ways with these assumptions. First, quoting the authority of what was then the latest school of thinkers known as the historical school Ranade argued that it was wrong to study economics on the basis of universal assumptions but from observed facts studied in their historical setting. This approach alone could give us knowledge of actual economic conditions. Secondly, Ranade argued that the assumptions of classical economics had hardly any validity for such a society as was found in India. Here the average man was the very antipodes of the economical man of the classical theorists. The family was more powerful than the individual in the determination of status ; self was not only the primary motive in guiding activity, and custom and state regulations were far more powerful than competition. For this reason also the dogmas mentioned above lost all their force in a country like India.[11]

Being influenceed by the ideas of Adam Muller and Fredrick List, he laid emphasis on the many-sided development of productive powers. In this connection he observed :

"The nation's economic education is of far more importance than the present gain of its individual members, as represented by the quantity of wealth measured by its value in exchange. In a sound and normal condition all the three departments of national activity must be fully developed. Commerce and manufactures are, if possible, more vital in their bearing on the education, on the intelligence and skill and enterprise of the nation than agriculture."[12].

By a comparative study of the contemporary economic systems of European countries he came to the conclusion that the historical method was the best as it provided economic relativity. His suggestion was that the theory and practice should go together. According to Ranade :

"Theory is only enlarged practice (and) practice is theory studied in its relation to proximate causes."[13]

Planned Economic Development :

After settling account with the British economic policy-makers on the plane of economic theory, Ranade took up the problem

of the real economic development of the country as a whole. We have seen that Dadabhai took up specific burning issues from which India was groaning beyond measures and which the British ruling authority in India was not even ready to concede. By his incessant hammering with ample facts and figures Dadabhai tried to make the ruling administrators see the real malady from which India was suffering. Mahadev Govind Ranade was in general agreement with the points highlighted by Dadabhai.

The work of highlighting those issues being out of the way, Ranade diverted his thinking to comprehensive view of the Indian economic development. And his conclusion was that not by solving this or that economic problem India's basic economic malaise would be solved, but only by making planned development of the whole Indian economy, there would be the radical cure of India's problem. Thus Mahadev Govind Ranade was the first Indian who fathered the idea of planning the whole Indian economy. The noted economist, J. C. Coyagee of a later generation rightly said of Ranade :

"He was the first economist in India...He was the first in the sense of approaching almost all the most important economic problems of our country and in giving a comprehensive view of these in the light of a proper background of economic theory. While his contemporaries and co-workers like Dadabhai Naoroji and Telang were content to criticize individual points in the policy of the Government, Ranade was aiming at a comprehensive view of his subject."[14]

Agriculture, industry and commerce were the major sectors of the Indian economy. And Ranade "wanted that there should be a balanced and well-planned development of agriculture, industry and commerce."[15] "The co-ordination of economic activities in a community implies a due proportion among men engaged in agriculture, industry and commerce ; when these are thus coordinated, the nation thrives."[16]

For this co-ordinated planned economic development then Ranade, being influenced by List, accepted the positive role of the state in giving the necessary help. The non-intervention of the state, emanating from the laissez-faire philosophy of the classical

school was, therefore, decidedly non-acceptable to him. He was very much impressed by the successful experiment of the state intervention in the economy by the Culture System in Netherlands Indies (now Indonesia). He said, "The culture system may be described as a system of encouraging the planting of remunerative crops, and manufacturing them for the European market, by private agency and at private risk with Government advances, and under Government supervision and with Government as the sole customer."[17].

On this model, Ranade "argued that the State in India could do a lot for its economic development."[18] and held that the "Government of India should select a few industries which might be of importance to national prosperity and in respect of which India possesses special advantages such as iron, coal, sugar, oils from seeds, woollen goods and leather goods."[19]

But Mahadev Govind Ranade was fully aware of the hurdles because of the political milieu in which India was in his time. He bitterly remarked : "We cannot expect the government here to do what France or Germany does for their shipping trade and their sugar industry, and ask government bounties and subsidies to be paid out of general taxes. These are heresies according to English Political Economy, such as is taught to us, and whether they be really so or not, it is useless to divert our energies in fruitless discussion and seek to achieve victory over free trade."[20]

But, nevertheless, he was sanguine of his victory one day. He summed up : "Notwithstanding these advantages and the free trade policy of the Government, we may win,"[21]

Thus, it goes without further argument that the paternity of the concept of public sector in Indian economic thought goes to Ranade.

Besides these major ideas about historical method, theoretical clarification and the state enterprise, Ranade had further specific suggestions about those major sectors—industry, agriculture and commerce.

Industry : Said Mahadeo Govind Ranade : "There can be no doubt that the permanent salvation of the country depends upon the growth of Indian manufactures and commerce and that all

other remedies can only be temporary palliatives."[21a] "When factories and mills on a small or large scale were set up all over the land, the present paralysis would give way to a play of energies which would...give a new birth to the activities of the nation."[22]

He was well aware of India's past industrial development vis-a-vis other countries of the world and how with the start the British rule in India the de-industrialisation of the country was forced upon. In 1890 he wrote : "Our contact with the world outside and the freedom of exchange which has resulted in consequence have produced one more undesirable result. They have aggravated the situation (nation's poverty) by making us more than ever dependent upon a single and precarious resource (namely agriculture). The industry and commerce of the country, such as it was, is passing out of our hands and...the country is fed, clothed, warmed, washed, lighted, helped, and comforted generally by a thousand arts and industries in the manipulation of which its sons have every day a decreasing share."[23].

Thus industrialization alone could make a break-through in the Indian economy. But this time Ranade was fully convinced that industrialization meant "development of large-scale manufacture and not small-scale hand-made goods industry."[24] of the pre-British days.

And for these machine-driven large-scale industries large capital was needed. But Ranade found, "The industry of the country was parched up for want of capital."[24a] So, his plea was for the state to come forward to supply the requisite capital. He said : "The want being national, the nation has a right to expect its rulers to supply the want."[25]

How the Government should proceed in this matter and what further steps need being taken in supplying the needed capital Ranade's suggestion can be summed up like this : "Local or Municipal Boards, or specially created Corporate Boards of trade and commerce, should undertake the development of industries in their areas. The Government has in its possession people's savings invested in Government stock or in Post Office Savings Accounts. Out of those funds which are lying idle with it, the Government should lend money to these bodies at low interest.

They in their turn, should make advance at a slightly higher rate to private persons with skill and energy to turn them into account. Of course, the Government through its officers should supervise the disbursement of this money. The Government should also patronise the products of the concerns it has thus helped. Besides, the Government in certain cases should guarantee minimum profits in the initial period ; in some cases the Government might help a company to float its own debentures or lend money itself. The Governments should provide technical advice in respect of the choice of the location and so on. By helping industries in this way, the Government would create confidence, and people would be more inclined to invest in them."[26]

Besides the Government help, Ranade wanted the Indian public should give up their general craze for ornaments and, instead, invest their savings in industries."[27]

Thus we see Mahadev Govind Ranade banked on the Indian private enterprise too. According to him, both the state enterprise and the private enterprise were needed for speeding up the industrialization of the Indian economy. It would not be wrong, therefore, if it is said that the wheel of the Indian economy—public sector and private sector—on which the economic development of India has been made to move after independence were clearly visualized by Ranade.

Anyhow for the spread of his economic message he founded the Industrial Association of Western India in 1890, which eventually changed into the Indian Industrial Conference, holding its meeting every year just after the Indian National Congress Annual Session in the same pandal.

In one of his addresses before the Indian Industrial Conference, he suggested ; "Take in as much of raw produce from abroad as we need and work it up here and send in place of our exports of raw produce the same quantities in less bulky but more valuable forms, after they have undergone the operation of art manipulation and afforded occupation to our industrial classes. To illustrate, in place of oil seeds, send oil ; in place of raw cotton, send cotton goods ; in place of hides and skins, send prepared and tanned leather."[28]

To Ranade, "to start a factory was helping the industrialisation of the country and thus it was a form of public service."[29] The more the the Indians with capital came forward to set up industries, and modern factories, the more the social and national cause would be served", he exhorted.

In fine, by his economic ideas Mahadev Govind Ranade gave a theoretical justification for the rise of the indigenous Indian bourgeois. In the set-up in which India was in his time, this was a progressive stand.

Agriculture : Just as Ranade believed in the industrialization of the economy, so he believed in the modernization of agriculture. The modernization of agriculture means the application of uptodate scientific know-how, mechanization of farming, large-scale farming, etc. But "though he was in favour of mechanization of agriculture, he thought that without reducing the number of people directly dependent on agriculture, it could not be of any advantage. He advocated State action in order to promote large-scale farming."[30]

But in the then agriculture set-up there were certain hurdles. So the steps that Ranade recommended ; "Judicial reform, increased banking and loan facilities and the guarantee of a permanent settlement, these are the three-fold elements in that organic constitution of our agricultural economy which will alone rescue the country from its present sad plight."[31]

We will briefly consider the points one by one. Firstly, the land tenure, in which his recommendation was for the permanent settlement. The land tenure system that was established under the British was the Zamindari System. Wherever there was Ryotwari settlement, middlemanship in land ownership cropped up through one loophole or another. Similar was the situation under the Mahalwari settlement. In other words, in land ownership under the British, a secondary feudalism was started. It means that a parasitic land-owning class was begotten by the British land policy in India. The actual tillers had no proprietory right in land ownership. Thus the very incentive to develop agriculture was sapped at the very beginning. Ranade got hold of this point and believed that unless proprietory right was invested in

the actual tiller, no radical cure in agriculture would be feasible In other words, Ranade believed in "land to the tiller" philosophy. This is what he said :

"All improvements in husbandry suggested by science and experience presupposes a great expenditure of capital invested in the land. The magic of property alone can induce people to incur such expenditure. Neither private Sawkers, nor joint-stock land banks, will venture capital to sink wells or to use manures or throw dams across streams unless the ryots to whom these advances are made posses full proprietory rights over the land."[32]

And then, "The ryots and middle classes will look upon their land as their own property.....without such a guarantee of full property (proprietorship), all endeavours to ameliorate the condition of the ryots must fail to produce any but temporary benefit."[33]

So, Ranade's proposal was : "A permanent ryotwari settlement, fixed in grain which the land produces, and commuted into money values every twenty or thirty years, can alone furnish a solution of the agricultural problem."[34]

Thus we see a permanent ryotwari settlement in which land will belong to the actual tiller, was his a must remedy for agricultural development.

Besides this desideratum of a permanent ryotwari settlement in land relationship, the actual tillers were ground down by the land revenue policy of the British Government in India. "The government, in its land policy, acted on the theory that the State was the owner of all land. On this theory the State was entitled to any amount it could extract from the cultivator. Land revenue was the rent taken by the State as the owner and not a tax imposed by the State on the owner. The recognized canons of taxation did not apply here. The State was not only a landlord but the only landlord owning all land in its territory."[34a]

So Ranade pointed out : "The State monopoly of land and its right to increase the assessment at its own discretion, are the two most prominent obstacles in the way of growth of our national property."[35]

Thus a stop had to be put to this excessive land revenue

policy. And argued Ranade : "The only guarantee against excessive enhancement, which is found effective where land is held in private right, is because of competition of the landlords among themselves. There is no place for this guarantee under the Indian system because land is the monopoly of the State, single and individual. The absence of such a check has resulted in wholesale enhancements all over the country to an extent of which the Government itself is now ashamed."[36]

For years Ranade had been advocating for this change in land-ownership relations in Indian agriculture. In 1881 he wrote : "We have for the last fifteen years exposed the failure of the present system and advocated a permanent (ryotwari—S. C. J.) settlement of land as the only alternative open to the government by the side of which reform all other agencies sink into insignificance."[37]

Besides this excessive land revenue policy, the peasants were badly sucked by the private *sawkars* or moneylenders. This can be stopped by legislation. He had welcomed the Deccan Agriculturists Relief Act of 1879, which was made for the three-fold object of protecting the ryot from the frauds of the moneylender, simplifying the procedure of law and granting relief to the farmer from the weight of indebtedness. But this kind of measure, however, was a palliative and negative in approach. Therefore, Ranade had positive suggestions. He wanted the opening of the Agricultural Banks which would lend money to the agriculturists directly and at low rates of interest. He further advocated, side by side with these agricultural banks, the setting up of agricultural co-operative banks for the benefit of the agriculturists. It all meant that the government should come forward to arrange for the supply of cheap credit to the farmers. In other words, just as in the industrial sector, Ranade believed in the state initiative, so he believed in the state initiative in the development of Indian agriculture.

Thus, permanent ryotwari settlement in land-ownership, liberal land revenue policy, legislative measure for relieving the peasants from the weight of indebtedness to private moneylenders and the setting up of agricultural and cooperative banks for the

cheap credit to the farmers, these were the major ideas of Mahadev Govind Ranade for bringing about a qualitative change in the Indian agricultural set-up.

And the implementation of all these suggestions of Ranade meant the development of capitalism in agriculture or the spread of capitalist farming which we find in the so-called Green Revolution in India after independence. In the time of Ranade, however, such a step was a progressive one.

Commerce : Commerce was the third major sector of the Indian economy according to Ranade. It was in 1872-73 that he explained his ideas about commerce in general. As said earlier he was in major agreement with the drain theory of Dadabhai Naoroji. "But he noticed two or three other features of our foreign trade, analysed their causes, and suggested remedies for their evil effects. First, there was a continuous and growing excess of exports over imports year after year. According to Ranade, this was due to the poverty and helplessness of our peasants. Poverty compelled them to sell their produce at a very low price ; at so low price that the produce was in great demand in the foreign market ; and hence our exports increased in size. Secondly, our imports consisted of machine-made goods which were cheap, and they resulted in the decay of our handicrafts like weaving, metal and salt manufacturing industries "[38]

Thus the remedy that he suggested was that "India must abandon the handicraft method and resort to machinery "[39] In other words, the industrialization of the economy should be speeded up so that India would be in a position to export machine-made goods instead of just the raw materials which she was doing then. With the development of industrialization, there would be the development of infrastructure inside the country, which would help expand the internal market. By industrialization of the economy, the internal trade would also expand, this Ranade believed.

Besides these major sectors—industry, agriculture and commerce—Ranade had his views on Indian finance, population, tariff, census statistics, etc. In finance, again, he was in agreement with Dadabhai Naoroji that the excessive expenditure of the British Government in India was because of the so-called pub-

lic debt, the Afghan war and other military expeditions. The remedies that he suggested were (a) severe retrenchment ; and (b) the substitution of Indians in place of European officials and civil servants.[40] On population, he later differed with the Malthusian theory and held the view that the industrialization process would ease the growing population problem. He suggested the redistribution of population, subsidised emigration to underdeveloped and scantily-populated areas.[41] He was against the manipulation of tariff for pleasing the cotton industrialists of England."[42]

In fine, Mahadev Govind Ranade was the father of the planned economic development in India. In sum total consequence, he, by his economic ideas, paved the way for the rise of capitalism in India just as, despite difference in method, Adam Smith did for world capitalism.

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CHAPTER IX

RAMESH CHANDRA DUTT (1848—1909)

Ramesh Chandra Dutt was born in Calcutta on August 13, 1848. He together with Surendra Nath Banerjea and two others had been the second batch of of the Indian students who competed at the Indian Civil Service examination in England in 1869. Ramesh Dutt joined his first official post as Assistant Magistrate at Alipore, Calcutta in 1871 and became a District Magistrate in 1883. He served in various capacities and in 1894 was appointed Commissioner of Burdwan Division. He voluntarily retired from the Civil Service in 1897. In December, 1899, Ramesh Dutt presided at the Annual Session of the Indian National Congress at Lucknow. He was appointed as the Revenue Minister of the then Baroda State in 1904. In 1907 he was appointed Member of the Decentralization Commission. He became Dewan of the Baroda State in June, 1909. On the 30th November, 1909, he died in harness in Baroda, mourned and lamented by many both in India and abroad. The people of Baroda called him *Garibon Ka Dost*, friend of the poor.

Poet Rabindra Nath Tagore, in his tribute to him said : "Of all the far-sighted and wise leaders of India, he undoubtedly occupied the foremost place. At this critical moment of our national life, what a heavy and irreparable loss his death is to the community must be apparent to every thoughtful Indian."[1]

Sister Nivedita's handsome tribute to him was like this : "Unassuming, simple, generous to a fault, the expression might be modern, but the greatness within was the ancient greatness. Ramesh Chandra Dutt was a man of his own people. The object of all he ever did was not for his own fame, but the uplifting of India...one who stands among the fathers of the future, one who dreamt high dreams and worked at great things untiringly..."[2]

Besides being absorbed in the Indian Civil Service, he was

a man of letters in his own right. There are seventeen important works to his credit, in which six are novels, historical and social, in Bengali. He translated the *Mahabharata* (1898) and the *Ramayana* (1899), into English which were highly praised by Max Mueller.

But he is immortalized in history for his writings on economics. His first economic work was the *Peasantry of Bengal,* published in 1875. In 1897, his book *England and India* was published. His work *Famines in India* came out in 1900. To cap them all was his *magnum opus, The Economic History of India,* in 2 vols, published in 1902 and 1904 respectively. The first Indian edition of these two volumes was published by the Publications Division of the Goverment of India in 1968.

Economic Interpretation of History

Before we come to his specific economic ideas it would be a little more clarifying if we see the overall outlook of Ramesh Chandra Dutt that emanates from his economic writings, specially his two volumes of the *Economic History of India.*

The debate that Dadabhai Naoroji started by highlighting the growing poverty and the drain of the wealth of India and was carried on by Mahadev Govind Ranade on the theoretical plane too, was brought to a QED by Ramesh Dutt by his massive historical documentation from the very genesis of the British rule in India up to his time. Dadabhai presented India in figures, Ranade in economic theory, while Ramesh Dutt presented India under the British rule, in historical evolution. And every evolution implies some law of development behind it. Thus Ramesh Dutt's minute depiction of the economic-political scene in his *Economic History of India* is not bereft of some such law of development.

D. R. Gadgil in his Introduction to the Indian edition of *The Economic History of India* says :

"Dutt's was almost the first history of a colonial regime written from the point of the subject of a colonial empire. It contains, in essence, a pre-view of what came later to be called the 'economics of colonialism'. It is interesting to see how ably Dutt anticipated a number of the features incorporated later in discussions of the economics of colonialism and, by implication,

some features also connected with the economics of the growth of undeveloped economies. *Throughout Dutt's writings there is apparent a keen awareness of the connection between political thought and developments and economic policy.* This connection was ordinarily ignored in contemporary economic writings in England. Dutt also carefully brought out what is now a common-place but was then not much regarded, namely, *the relation of economic policy to dominant economic interest*.....

"In relation to economic structure and development, Dutt's emphasis on the economy is striking..... "[3]

"The connection between political thought and developments and economic policy", "the relation of economic policy to dominant economic interests", etc., which Ramesh Dutt proved by his massive citations from the historical records of the British rule from its very inception amply demonstrate that it was the economic structure which basically determine the politico-administrative super-structure in India under the British rule. It was the advanced British economic (and technical) forces which eventually triumphed over the rising indigenous economic forces. And it was the working of the same advanced economic forces which through the British political and adminstrative policies systematically annihilated whatever indigenous industries remained in the country. Ramesh Dutt in the first volume of his *Economic History of India* has made that masterly presentation. In the preface to the first edition of his second volume he wrote (in 1903):

"Of Commerce and Manufacture I need say little in this place. I have in another work (first volume, *India under Early British Rule*, 1757-1837—S.C.J.) traced the commercial policy of Great Britain in the eighteenth and the earlier years of the nineteenth century. The policy was the same which Great Britain then pursued towards Ireland and her colonies. Endeavours were made which were fatally successful to repress Indian manufactures and to extend British manufactures. The import of Indian goods to Europe was repressed by prohibitive duties; the export of British goods to India was encouraged by almost nominal duties."[4]

He continued : "Long before 1858, when the East India Company's rule ended, India had ceased to be a great manufacturing country. Agriculture had virtually become the one remaining source of the nation's subsistence."[5]

Then Ramesh Dutt concludes : "The production of raw material in India for British industries and the consumption of British manufactures in India were the two-fold objects of the..... commercial policy of England."[6]

And all this became possible because, Ramesh Dutt writes : "The British manufacturer, in the words of the historian Horace Hayman Wilson, 'employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms."[7]

Thus it is obvious that Ramesh Dutt's fully detailed and minute narration of how the British tentacles spread from one province to another and through what wars and machinations, amply testifies that he was making the correct economic interpretation of the British rule in India. And he was aware of this when he wrote in the same preface to the second volume : "Economic laws are constant and unvarying in their operation."[8] He further adds : "Economic laws are the same in Asia as in Europe."[9] If manufactures were crippled, agriculture over-taxed, and a third of the revenue remitted out of the country, any nation on earth would suffer from permanent poverty and recurring famines."[10] Then he summed up : "If India is poor today, it is through the operation of economic causes. If India were prosperous under these circumstances, it would be an economic miracle."[11] And "science knows no miracles,"[12] finalized Ramesh Dutt.

After the middle of the nineteenth century indigenous industries and factories started budding up on the Indian soil. By 1878 all the main rail lines were laid in the country. Slowly by the working of British capitalism indigenous capitalism came into being. The clash of the interests of rising indigenous capitalism with the economic interests of the established British policy of repression continued in one form or another, Ramesh Dutt summed up : "During a century and a half the commercial policy

of the British rulers of India has been determined not by the interests of Indian manufacturers, but by those of British manufacturers."[13]

In other words, the growing contradictions of the British rule in India were asking for new solutions. Ramesh Dutt expressed those contradictions in terms of evils. And those evils were asking for remedies and the remedies themselves suggested the evil or the contradictions of the British rule in India. The following is what Ramesh Dutt wrote :

"The evils suggest their own remedies. The excise tax on Indian mill industry should be withdrawn. The Indian Government should boldly help Indian industries, for the good of the Indian people, as every civilized Government on earth helps the industries of its own country. All taxes on the soil in addition to the land revenue should be repealed ; and the land revenue should be moderated and regulated in its operation. The Public Debt unjustly created in the first instance is now an accomplished fact : but an Imperial Guarantee would reduce the rate of interest ; and a Sinking Fund would gradually reduce its volume. Civil and Military charges in India should be reduced by a large employment of Indians ; military charges in India should be repressed with a strong hand ; and India should pay for an army needed for her requirements. All further extension of railways from State Loans or under guarantee of interest from the taxes should be prohibited. Irrigation works should be extended as far as possible from the ordinary revenues. The annual Economic Drain from India should be steadily reduced ; and in carrying out these fiscal reforms, representatives of the people of India.....of the tax payers who are alone interested in Retrenchment in all countries.....should be called upon to take their shares and offer their assistance."[14]

Thus we see the growing indigenous mills and factories were asking for growing facilities for their development but the British manufacturing interests through the political and administrative policies in India were denying them. Besides, the growth of indigenous industries in India were asking for further changes in the other sectors of the economy too. But these were also not

only denied but were being repressed. In other words, the British rule, according to Ramesh Dutt, was badly caught in its self-made evils or contradictions which were crying for solutions. And Ramesh Dutt's solution of those inherent contradictions was summed up in his two words: "Retrenchment and Representation."[15].

And unless the policy of retrenchment and representation is sincerely and vigorously pursued, according to Ramesh Dutt, the British Empire in India is doomed as the past empires in history were doomed. It was the inherent contradictions of the past empires in the world which precipitated their decline. The Indian situation was similarly being aggravated by the very working of the British rule in India and, thus, it would meet the same fate some day. He corroborated his analysis of the specific economic-political-administrative situation of India with the universal law of the decline and the fall of the empires of the past. The following is how Ramesh Dutt concludes at the end of his second volume of the *Economic History of India* that the specific Indian situation is following the same universal law of historical development :

"No subject nation can prosper if nearly one-half of its revenues is withdrawn from the country by the ruling power. And no ruling nation ultimately benefits by such an influx of gold, received without a direct commercial return. It is with nations as with individuals ; the bread we earn by labour nourishes and invigorates ; the food we consume without toil is poison to our system."[16].

Then he added : "It was through influx of gold, without commercial return, that luxury, degeneracy and decline overtook ancient Rome, and a political and commercial atrophy supervened in modern Spain. Future historians will perceive more clearly than we do how the influx of Eastern gold, more than the rivalry of Western nations, enervates England's manufacturing industry, her commercial fitness. England, as..... industrial and commercial power declines under the insidious influence of Eastern gold, as England, as a free country, declines under the contagion of the despotic form of Government she established in the East."[17]

In the last sentence of his second volume, Ramesh Dutt pro-

phesied : "Impoverished India...and a despotic form of Government in India spells England's decline."[18]

Thus Ramesh Chandra Dutt's economic writings, specially the two volumes of his *Economic History of India* are not just a mine of historical records and citations, which, however, they are, about the establishment, expansion and the working of the British rule in India, up to his time. They are something more. They are the economic interpretations of the British rule in India. They evince a law of social development in India under the British. It was the struggle of two economic class forces—one, indigenous and, another, British—which eventually led to the triumph of the advanced British economic forces, politically and militarily expressed by the Battle of Plassey in 1757. And it was again the same struggle of the class economic interests which made the British rule expand in India as it did. And again, it was the same clash of the economic forces which by the time of Ramesh Dutt were accelerating the situation to its final denoument. Nay, by the time of Ramesh Dutt, the British economic system, i.e., British capitalism, had changed into imperialism as world capitalism had changed in general and he had made a note of it in his second volume that the years of imperialism began in England in 1875.[19] It was around that time when capitalism in general in the world had reached the stage of finance capitalism or imperialism.[20] At this stage of imperialism, those contradictions of capitalism started working at break-neck speed although the nodal point was yet to reach. Colonialism was the inevitable part of imperialism. And "the economic basis of colonialism, wherever it may occur, is fundamentally the same."[20a] A recent biographer of Ramesh Dutt writes :

"In the colonial situation which then prevailed, it was a matter of the highest priority to analyse the economics of colonialism, to rebut the complacent theories of economic prosperity assiduously propagated by the colonial rulers and to create the right perspective and the correct consciousness among the people to enable them to judge adequately the economic policies pursued by the Administration. To this process, Ramesh Dutt contributed brilliantly with his books and writings on Indian Economics.

"Ramesh Dutt's analysis of the British connection with India was more radical.....His *Economic History* showed how from the days of early British rule down to his own days the economic interests of India had been subordinated to those of the Colonial Power when they came into conflict with the latter, and how in fact the economics of India had been shaped to become a colonial adjunct catering to the economic requirements, as then conceived, of Britain."[21]

"Indeed, much of the credit for the fact that in later years Colonialism and Imperialism fell into disrepute not only in India but all the world over, goes to men like Ramesh Dutt who by their detailed analyses of colonial regimes revealed to the colonial peoples the true nature of such connections."[21a]

In fine, thus, the radical analysis and through which the radical consciousness that Ramesh Dutt's economic writings produced in India, was because of the economic interpretation of the British rule in India. It was the economic forces which conditioned the political milieu under the British rule in India. But by this it does not mean that politics did not influence the economic aspect. And Ramesh Dutt by bringing in the political narration with his economic analysis has amply demonstrated this.

Economic interpretion of history is not exactly the materialist interpretation but it is nearest to that which is scientific. Thus, Ramesh Chandra Dutt's economic thought had basically scientific foundation.

With these preliminaries, now we shall proceed to his specific economic ideas.

Agriculture and Land Revenue :

Ramesh Dutt writes : "The sources of a nation's wealth are Agriculture, Commerce and Manufactures, and sound Financial Administration. British rule has given India peace ; but British Administration has not promoted or widened these sources of National Wealth in India."[22]

We shall take up agriculture first. As we saw earlier, Ramesh Dutt had written that long before 1858 India had ceased to be a great manufacturing country and agriculture had virtually become

the one remaining source of the nation's subsistence. And the two-fold objects of the British commercial policy was the production of raw materials in India for British Industries and the consumption of British manufactures in India. In other words, under the British rule, India was made the hinterland of raw materials and the dumping ground for British machine-made goods. From the second half of the nineteenth century when indigenous Indian capitalism started coming into being, the commercialization of Indian agriculture started in a very limited way. But the major block to improvement in Indian agriculture was the land-ownership relation which was started by various land revenue settlements made since 1793.

In the conclusion of his book *England and India* (published in 1897) Ramesh Dutt writes :

"Railways and carrying steamers in India have been constructed with English capital.....; these improved means of communication benefit the country in a variety of ways, and not the least beneficent effect is the opening up of markets for surplus produce. Large tracts of the country, the produce of which had scarcely any market in the olden days beyond the local market, have benefited by these new means of communication and the prices of the produce have generally risen in India. But in this case also, the increased profit remains with the people where the State demand has been permanently limited. In the greater portion of India it is claimed by the State. Indeed, land revenue settlements are made for short periods in tracts where new lines of railway are under construction, in order that the benefits conferred by the new lines may be secured by the State at the expiration of such short periods. New products like tea are now grown in India, but they are grown mostly by English companies and with English capital. The profit comes to England and does not benefit the agriculturist.....Trade and public works carried on or constructed in a country with its own capital, are evidence of the material prosperity of the people. In the case of India they are profitable investments of English capital and while they undoubtedly benefit India in a variety of ways, they have not secured the object of materially improving the condition of agricultural

artisan classes of India."[23]

All these mean that with the construction of the rail lines and development of other means of communication, there was the opening up of markets, the movement of surplus from one area to another, little rise in the agricultual prices, tea growing, etc. It means that the agricultural sector started feeling the impact of the opening of the railways and their concomitants.

It further means that with the budding of indigenous capitalism a tinkering of the commercialization of Indian agriculture got going which was ably noted by Ramesh Dutt. But even that new trend was not gathering momentum because of the state demand for land revenue. Thus even the development of Indian agriculture and the improvement of the conditions of the agriculturists was blocked because of the state demand which was bound to be excessive, according to Ramesh Dutt, because the land revenue settlements were not made permanent. And according to him it was because of this mounting land revenue exaction that there was no perceptible improvement in agriculture and in the condition of the agriculturist. The entire problem of Indian poverty and Indian famines mostly depended on this land settlement problem, according to him.

Thus, "the pride of place among the subjects dealt with by Dutt is given to land revenue settlement in both the volumes."[24] Ramesh Dutt's thesis was that "Indian poverty was the result, to a large extent, of a highly defective system of land taxation."[25]

But what is land revenue and what is land tax? Ramesh Dutt himself raises this question and answers as follows :

"What is the land tax ?.....the right of the Government is not a rent which consists of all the surplus produce after paying the cost of cultivation and the profits of agricultural stocks but a land revenue only..... only a share.. .. of the rent..... (is) as Land Tax."[26]

It means that rent is the surplus agricultural produce after meeting the cost of production plus some profit while the land revenue or land tax went on increasing so much that the entire economic rent was taken away by the British Government in India. To illustrate this, Ramesh Dutt writes that "what is

realized as Land Tax in Madras often sweeps away the whole of the economic rent."[27] And roughly this was the situation with all land revenue settlements under the British rule in India, according to him. He further clarifies the overall Indian land tax situation in India in comparison with the then prevalent situation in other countries. This is how he clarifies :

"The land tax in India is not only heavy and uncertain but the very principle on which it is raised is different from the principle of taxation in all well-administered countries. In such countries the State promotes the accumulation of wealth, helps the people to put money into their pockets, likes to see them prosperous and rich, and then demands a small share of their earnings for the expenses of the State. In India the State virtually interferes with the accumulation of wealth from the soil, intercepts the incomes and gains of the tillers, and generally adds to its land revenue demand at each recurring settlement, leaving the cultivators permanently poor. In England, in Germany, in the United States, in France and in other countries, the State widens the income of the people, extends their markets, opens out new sources of wealth, identifies itself with the nation, grows richer with the nation. In India, the State has fostered no new industries and revived no old industries for the people ; on the other hand, it intervenes at each recurring land settlement to take what it considers its share out of the produce of the soil. Each new settlement in Bombay and in Madras is regarded by the people as a wrangle between them and the State as to how much the former will keep and how much the latter will take. It is a wrangle decided without any clear limits fixed by the law—a wrangle in which the opinion of revenue officials is final, and there is no appeal to judges or Land Courts. The revenue increases and the people remain destitute."[28]

Thus, according to Ramesh Dutt, nothing positive was being done by the State in India for providing the agriculturists the nacessary facilities for increasing agricultural production as in other countries, but on the contrary by heavy land tax they were sucked beyond measures. Under all land tenures in India it was the same deteriorating situation. But according to Ramesh

Dutt under the permanent Zamindari land settlement in Bengal the situation was not as in other parts of the country. But even in Bengal in his previous work *Peasantry of Bengal* (published in 1875) he had portrayed the pitiable condition of the peasants. In the preface to that work, *Peasantry of Bengal*, he wrote :

"It is no doubt, a fact, apparent to everyone except such as choose to close their eyes at it, that in some estates specially in petty Zamindaries and unprofitable Patni holdings, Malhote is still freely collected to a fearful extent, making to our certain knowledge, the amount payable sometimes is double of what is legally due as rent—that in most Zamindaries Mathote is still freely collected—that in all Zamindaries, probably much more than is legally due, is collected either by the Zamindars themselves or by their agents as their special allowances on special occasions—that Zamindars still possess to an indefinite extent the power to oppress, harass and ruin their ryots in a variety of ways against which the law affords no fetters and, therefore, in most places ryots are still held in a sort of moral servitude and comply without thinking of resistance with the most unjust demands and orders of their masters. Such uncertain and even increasing exactions and such moral servitude make it simply impossible for ryots to save anything or to learn to be prudent, provident-thinking beings or better their condition and we have, therefore, in the following pages advocated the introduction of permanent restraints on the Zamindars' powers."[29]

By the time of his writing of *The Economic History of India* he found the Bengal peasantry's condition a little improved vis-a-vis the condition of the peasantry in other land tenures in India. His thinking was that the State revenue demand from the Zamindars be fixed and that also of the Zamindars from the ryots in the Zamindari land settlement areas. In other areas the State's revenue demand from the cultivators be permanently fixed so that they can save something for their rainy days and would have some incentive to produce more.

His decided proposal for improving the lot of the cultivators was made in his Presidential Address at the Lucknow Annual Session of the Indian National Congress in 1899. It was "that the

cultivator should be assured an adequate share of the produce of his land if he is to be saved from indebtedness and poverty, distress and famine."[30] He further said : "Never mind under what system or under what settlement he lives, assure to him an adequate proportion out of the produce of his land, and he is saved, and the nation is saved."[31] "In India the cultivitor is the nation."[32]

This proposal was expatiated upon with the plethora of historical documentation in his two volumes of *The Economic History of India.*

But what should be the fixed amount that the State was entitled to take from the cultivator ? What was to be the maximum limit ? Under the British, writes Ramesh Dutt, in Bengal the land tax fixed at over 90 per cent of the rental and in Northern India at over 80 per cent of the rental between 1793 and 1882 but in Madras and Bombay the land tax approximated to the whole of the economic rent.[33]

Thus his final suggestion for the fixing of the maximum limit of land revenue or land tax was the ancient Hindu maxim of one-sixth. He said : "Adopt the ancient Hindu rule.. make one-sixth of the actual produce—not even one-fifth of the actual produce—the maxium limit of rent under all circumstances..... and the problem of disastrous and fatal famine is virtually solved."[34]

That is, according to Ramesh Dutt, in no case the land revenue or land tax should exceed the maximum limit of 20 per cent of the economic rent.

In fine, Ramesh Dutt's focussing of attention on the excessive land tax as the major cause of Indian poverty was quite pertinent in the then situation of India. He wanted the land revenue settlement to be made permanent. This stand of Ramesh Dutt had been misunderstood as if he were in favour of the *Permanent Zamindari* land settlement all over the country. It was misunderstood so because in 1902 the famous Government Resolution of Lord Curzon on land settlements took note of it and tried its best to discredit Ramesh Dutt's views. Ramesh Dutt rebutted the distortions of his views by addressing his "open letters" to Lord

Curzon. The Government Resolution stated :

"The Government of India indeed know of no ground whatever for the contention that Bengal had been saved from famine by the Permanent Settlement. Sufficient stress has not been laid in the recommendations of Mr. Dutt and the memorialists for placing a limit on the demands of the Zamindars from their *raiyats* If it is the interests of the raiyats that are at stake and that stand in most urgent need of protection, that protection is not less necessary when his payments are made to a native landlord in the form of rent, than when they are made in the form of land revenue to the British Government."[34a]

Ramesh Dutt replied to the "first point of criticism and pointed out that he had not said that the *Permanent Settlement* had saved Bengal from famines. He had merely stated that the Bengal raiyat was better able to withstand a famine than his less favoured brethren of Southern India. With regard to the second argument he pointed out that he had not said that the comparatively better position of the Bengal peasants was due to the Permanent Settlement alone. He had distinctly referred to the beneficial results of the Tenancy Act."[34b]

But long before the Government Resolution, Ramesh Dutt had made his stand clear in unambiguous terms in his writing published in the *Pioneer*. Therein he summed up what was his real stand in the following words :

"I hold no brief for Zamindars, or talukdars, or malguzars, or landlords of any class. I hold and have held all through my official life that the actual cultivators of the soil should be lightly assessed. The cultivators are the nation in India, and if they are well off the nation is prosperous and resourceful, and famines would not be the terrible calamitities that they are now."[34c] But as the situation started unfolding, a chain of middlemanship in land-ownership relationship came into being and the peasantry in no case got out of the clutches of this parasite land-owning class. And the logic of Ramesh Dutt's sincere concern for the improvement of the lot of the cultivators and thereby that of Indian agriculture would be translated into action only by the abolition of this pervasive rentier class in whatever from in land ownership. In

Ramesh Dutt's time the situation was not ripe but after independence it was done so for the real improvement in Indian agriculture by abolishing middlemanship in land tenure.

Thus, in Romesh Dutt's economic ideas, agriculture and the agriculturists, the real cultivators, had major consideration. But this does not mean that he had minimized other sectors of the economy.

Industry :

Said Ramesh Dutt : "I do not believe a country can permanently prosper by agriculture alone any more than a country can permanently prosper by manufactures alone ; the two must thrive side by side to give employment to the population of a country."[35]

This he had said in his Presidential Address at the First Indian Industrial Conference at Banaras on December 30, 1905, held in connection with the Annual Session of the Indian National Congress. And roughly these ideas epitomize his general economic thinking contained in his books about India's economic development.

In Ramesh Dutt's time generally, there were two viewpoints ; one was that by the growth of India's exports and imports there was the so-called economic prosperity in India and the other was, that the case of India's industrial growth was a hopeless one. In the same Presidential Address, Ramesh Dutt made a major attack on these two viewpoints in the following way :

"There are two extreme views often expressed about our Indian industries, both of which I believe to be wrong. One is a despondent view—a cry of despair—that Indian industries have no future against European competition, and that India is sinking lower and lower as a purely agricultural country. The other is a roseate view—that the trade of India is increasing by leaps and bounds under the British rule and that the increasing figures of Indian imports and exports are index to the growth of Indian manufactures and of the prosperity of the people."[36]

But the truth was in between these two views. So Ramesh Dutt continued : "As usual, the truth lies midway. We are beset with grave difficulties, but we have no reason to despair. Our industrial condition in the present day is lamentable but it is not

hopeless. We have to face a severe, and in some respects an unequal competition, but our future is in our hands if we face our difficulties like men."[37]

In his *magnum opus, the Economic History of India* he had delineated the picture of how "India in the eighteenth century was a great manufacturing as well as a great agricultural country, and the products, of the Indian loom supplied the markets of Asia and Europe."[38] and how after the establishment of the British rule there was the systematic uprooting of Indian industries. In the same address he summed up the story of the decline and fall of Indian industries like this :

"For many centuries past, the manufactures of India were prized in the markets of Europe and Asia ; and Arab and Portuguese merchants, Dutch and English traders shipped large consignments of Indian goods to various ports in the world. In those days there was no thought of repressing Indian industries On the contrary, it was the interest of the foreign traders to foster them, as far as it was in their power to do so, because the excellence and the largeness of Indian manufactures were the sources of their own gain and profit.

"But when England acquired political power in India in the middle of the eighteenth century, this policy was reversed. Englishmen were manufacturers themselves and it was their policy in those days to repress manufacturers of their own colonies in order to promote their own. The same policy was unfortunately pursued in India ; and, for the first time in the history of India, her manufacturing industries were discouraged instead of being encouraged. The export of Indian manufactures to Europe was repressed by prohibitive duties, and the import of English manufactures into India was facilitated by the levy of almost nominal duties. The idea was to make India a country of raw produce for the promotion of English manufacturing industries."[39]

So, emphatically concluded Ramesh Dutt : "We will not consent to see our country made a land of raw produce, or a dumping ground for the manufactures of other nations."[40]

Thus Ramesh Dutt believed in the industrialization of the Indian economy as it was being done in Europe. He wanted "to

create large centres of industry in towns."[41] He said : "We must change our old habit of universal cottage industries, and learn to form companies, erect mills and adopt the methods of combined action, if we desire to protect or revive our industries."[42]

That is, India's industries are to be revived, according to him, not on the basis of the past simple technology but on the basis of the new machines and technologies as adopted in Europe. In order to be self-dependent and to compete with other industrially advanced countries India must be up-to-date in producing machine made goods.

But in this, according to Ramesh Dutt, there was "the triple disadvantage of want of industrial training, want of control over our own fiscal legislations."[43]

The removal of the triple disadvantage could be possible, Ramesh Dutt believed, in two ways ; one, by the private enterprise, and another by the public enterprise. In public enterprise, thus, he wanted the State to take initiative in providing the necessary facilities for the industrial development. Ramesh Dutt's time, as said earlier, was the highnoon of the *laissez faire* theory in economic thinking. To believe in the State intervention in the ecnomy was a kind of anathema in economic thinking. But as the Historical School had propounded the thesis that for undeveloped areas protection by the State to the indigenous industries was a must. Fredrick List and others, as we saw earlier, had influenced Mahadev Govind Ranade and even Dadabhai Naoroji. And Ramesh Dutt too was not un-influenced by them. How Ramesh Dutt looked at the free traders and the protectionists would be clear from the following piece of writing in the first volume of his *The Economic History of India.*

"The great political economists of the time, headed by Ricardo, had nothing to say on the subject. The leaders of the agitation against Corn Laws, who rightly and successfully fought against the landlords of England for a measure which would bring cheap bread to the workman and labourer, said little and knew little of the policy which took the bread out of the mouths of millions of weavers and artisans in India. Cobden and Bright..... carried the agitation against the Corn Laws to the successful issue ; and Sir

Robert Peel, who repealed those laws in 1846, trusted that his name would be remembered by Englishmen who 'would recruit their exhausted strength with abundant and untaxed food, the sweeter because no longer leavened with a sense of injustice'. But the bread of the Indian artisan and manufacturer is still leavened with a sense of injustice and no statesman has yet seriously endeavoured to protect, foster, and revive their old and ruined industries."[44]

Then referring to the protectionist theory of the Historical School he continues : "Continental economists were able to take a more unbiased view of the situation and to speak more openly and freely. In a great work on Political Economy written in Germany in 1844, while the injustice of the Corn Laws was occupying the minds of English economists, a German economist (Fredric List—S. C. J.) pointed out the graver injustice which had been perpetrated in India."[45]

After making a long quotation from Fredric List's work *The National System of Political Economy,* Ramesh Dutt concludes :

"The.....extract will show that while British Political Economists professed the principles of free trade from the latter end of the eighteenth century, the British Nation declined to adopt them till they had crushed the Manufacturing Power of India and reared their own Manufacturing Power. Then the British Nation turned free trader and invited other nations to accept free trade principles. The other nations including the British colonies, know better ; and are now rearing their Manufacturing Power by protection. But in India the Manufacturing Power of the people was stamped out by protection against her industries, and then free trade was forced on her so as to prevent a revival."[46]

Thus according to Ramesh Dutt, for the revival of the Manufacturing Power of the Indian people, protection is indispensable. It means the State must intervene to do something positive for the industrialization of the Indian economy. Like Mahadev Govind Ranade, Ramesh Dutt can be aptly called to have fathered the idea of the public sector that came into the picture in India after Independence.

Besides the State enterprise, Ramesh Dutt had believed in the private enterprise. The Swedeshi movement that was going

on in his own time for reviving the manufacture and consumption of indigenous goods was wholeheartedly supported by him. In his same Presidential Address at the first Indian Industrial Conference at Banaras in 1905, he said about the Swadeshi scheme :

"The essence of the scheme, as I understand it by every lawful method to encourage and foster home industries and to stimulate the use of home manufactures among all classes of people in India.....I sympathise with this movement with all my heart, and will cooperate with this movement with all my power."[47]

He further explained how this Swadeshi scheme was being adopted in other countries of the world in one form or another. He said : "The Swadeshi Movement is one which all nations on earth are seeking to adopt in the present day. Mr. Chamberlain is seeking to adopt it by a scheme of Retaliation : France, Germany, the United States and all British colonies adopt it by building up a wall of prohibitive duties. We have no control over our fiscal legislation, and we adopt the Swadeshi Scheme therefore by a laudable resolution to use our home manufactures, as far as practicable, in preference to foreign manufactures. I see much that is praiseworthy and much that is beneficial. It will certainly foster and encourage our industries.....It will relieve millions of weavers and other artisans from a state of semi-starvation in which they have lived, will bring them back to their handloom and other industries, and will minimize the terrible effects of famines.....It will give a new impetus to our manufactures which need much impetus and it will see us, in the near future, largely dependent on articles of daily use prepared at home, rather than articles imported from abroad. In one word, it will give a new life to our industrial enterprises and there is nothing which the people of India.....desires more earnestly than to see Indian industries flourish, and the industrial classes prosper."[48]

Thus despite Ramesh Dutt's major concentration being on agriculture, agriculturists and the land assessment, he fully believed in the industrialization of the Indian economy. And for this he was in favour of pursuing both the methods—the method of the private enterprise and the public enterprise, i.e., the State

intervention for lending a helping hand. The bottlenecks in the path of such industrial development should be removed by the State, that Ramesh Dutt believed in.

Commerce :

Commerce was the third major sector of the Indian economy on which he focussed his attention. And here he was, as said earlier, in general agreement with Dadabhai Naoroji in the theory of drain of the Indian wealth to England. "If we turn from the sources of wealth and to the financial arrangements of India", wrote Ramesh Dutt in the preface to the second volume, "the same melancholy picture is presented to us."[49] He further continued :

"One-fourth.....of all revenues derived in India is annually remitted to England as Home Charges. And if we add to this the portion of their salaries which European officers employed in India annually remit to England, the total annual drain out of the Indian Revenues to England considerably exceeds 20 million. The richest country on earth stoops to levy this annual contribution from the poorest. Those who earn £42 per head ask for 10s. per head from a nation earning £2 per head. And this 10s per head which the British people draw from India impoverishes Indians and, therefore, impoverishes British trade with India. The contribution does not benefit British commerce and trade, while it drains the life-blood of India in a continuous ceaseless flow."[50]

Then he illustrated : "The total Land Revenue of India was 17½ millions in 1900-1901. The total Home Charges in the same year came to 17 millions.....an account equivalent to all that is raised from the soil, in all the Provinces of India, is annnally remitted out of the country as Home Charges."[51]

This, if all that is raised from the soil in all the Provinces of India, is remitted out of the country, what would be the economic predicament of the people, can be better imagined than said. Nothing but poverty in all its stark nakedness would be the spectacle. Ramesh Dutt amplified :

"For when taxes are raised and spent in a country the money circulates among the people, fructifies trade, industries and agriculture and in one shape or another reaches the mass of the peo-

ple. But when the taxes raised in a country are remitted out of it, the money is lost to the country for ever ; it does not stimulate her trade or industries, or reach the people in any form. Over 20 million sterling are anually drained from the revenues of India ; and it would be a miracle if such a process, continued through long decades, did not impoverish even the richest nation upon earth."[52]

Similarly Ramesh Dutt exploded the myth of the Public Debt of India : "When the East India Company ceased to be the rulers of India in 1858, they had piled up an Indian debt of 70 millions", he stated. "They had in the meantime drawn a tribute from India, financially an unjust tribute, exceeding 150 million, not calculating interest. They had also charged India with the cost of Afghan wars, Chinese wars and other wars outside India. Equitably, therefore, India owed nothing at the close of the Company's rule ; her Public Debt was a myth ; there was a considerable balance of over 100 millions in her favour out of the money that had been drawn from her."[53] He went on to point out how the 70 million Public Debt in 1858 doubled to 140 millions by 1877, and how by 1900 it had risen to 224 millions.[54] Then he concluded : "The history of the Indian Debt is a distressing record of financial unwisdom and injustice and every impartial rerder can reckon for himself how much of this Indian Debt is morally due from India."[55]

As previously done by Dadabhai Naoroji, "This was a powerful indictment, the facts of which had hitherto been concealed from the Indian public in a maze of arguments about the alleged growing prosperity of India under British rule.[56]

Besides this glaring drain of the Indian wealth to England, then there were the specific questions of tariff and foreign trade. And it is not necessary to repeat that as he stood for protecting the growing indigenous industries and for industrialising the Indian economy, he wanted to see the less export of raw materials and more export of the manufactured goods from India. And for this the lowering of tariff in favour of Indian manufactured goods into England and the raising of tariff against fareign goods into India, was unavoidable if India's foreign trade could be said

to be developing in the true sense of the term. While speaking in November, 1903, in London on the "Tariff Question" in India, he summed up his stand in this way :

"The young mill industry required protection for a time, just as England protected her own mill industry in the early years of the nineteenth century and as the Colonies were protecting their rising industries. To force the exports of grain and raw material still further by preferential tariff would be cruelty to India. India would be more prosperous if she was compelled to export less of her food supply, and if she imported less of manufactured articles."[57]

Such ideas of Ramesh Dutt are galore in his two volumes.

Railway, Irrigation and Public Finance :

Thus, besides agriculture, industries, and commerce, the major sectors of the Indian economy, he had his ideas on economic matters like the railways, irrigation and public finance too. In Ramesh Dutt's time there was the controversy on the railways vs irrigation. We have seen that by 1878 all major rail lines were laid in India. 5872 miles of railway had cost £97,000,000, giving an average expenditure of 16,536 per mile.[58] By March, 1880, the total expenditure on railways came to £125 million, while on irrigation it was only £12 million.[59] And by March, 1902, the figures went to £226 millions spent on railways while on irrigation works it was £24 millions. In 1872 it was only five thousand miles but by 1902 it was more than twenty-five thousand railway line mileage laid in the country.[59a] Ramesh Dutt was not in favour of this extravagant expenditure on the railways while the irrigation work was being neglected. This was because, Ramesh Dutt argued, "Railways helped the distribution of food supply in times of famine, but did not add to that supply. It was irrigation works which added to production and secured crops in years of drought."[60] He added : "Hindu and Mohamedan rulers had, therefore, laid the greatest attention to irrigation works...But the British nation, more familiar with railways than with canals in their own country, did not adequately realize the supreme importance of irrigation works in India and did not extend them with the eagerness with which railway lines were

multiplied."[61]

But as he was in favour of the industrialization of the Indian economy and as for this industrialization work the opening of the railway lines was unavoidable, Ramesh Dutt could not have been basically opposed to it. This he had already made clear when he, as a witness before the Fowler Indian Currency Committee in 1898, had said : "We should not abandon the railway system altogether, but we should be cautious, and I think the representatives of the people should be consulted before new lines are sanctioned."[62]

Thus, what he was opposed to was not the construction of the railway lines as such but the guarantee system through which it was being done in India. The Guarantee System guaranteed the profits of the railway companies, which eventually came from the taxes from the people. Ramesh Dutt wrote :

"Railways operations were commenced in India under an arrangement, calculated to lead to extravagance and working under a State guarantee of profits at 5 per cent or $4\frac{1}{2}$ per cent on the outlay, were not likely to observe economy in the outlay, or to seek the convenience of travellers. If there was extravagance and waste in construction, shareholders nevertheless got their guaranteed return on all the money that was spent, wisely or or unwisely. If traffic decreased and the earnings fell short of the guaranteed rate, the difference was made good from the revenues of India, i.e., from taxes paid by the people."[63]

It was this unbalanced use of the people's money in favour of the railway companies that he resented. If the people are to be helped that can be done more fruitfully by expending on the irrigation works which would bring more immediate benefits and ease the precarious condition of the Indian masses.

Concerning public finance, Rameh Dutt believed in the principle of no taxation without representation. Like Dadabhai Naoroji, Ramesh Dutt was also of the view that the conspicuous consumption on the part of the British Government in India must be restrained. The evidence that Dadabhai Naoroji gave before the Indian Finance Committee set up in 1871, to enquire into tho alarming growth of debt and expenditure in India, Ramesh

Dutt writes with full agreement in the following words ;

"And Mr. Dadabhai Naoroji, the patriotic Indian representative who apperared as a witness before the Finance Committee, placed before the Committee with equal force and cogency the fact of the extreme poverty of the people of India, their decadence in wealth and resources under British rule, and the heavy and growing taxation of the country.

"I may put this great financial fact before the Committee", he (Dadabhai—S.C.J.) said. "The United Kingdom out of its resources obtains 70 millions, from which about 27 millions being deducted for interest on Public Debt, there remains about 43 millions for the ordinary wants of the Governments. This amount is about $5\frac{1}{2}$ per cent of the income of the country of 800 millions. The British (Indian) Government out of its resources contains 50 millions, from which about 8 millions being deducted for interest on Public Debt, Railways, etc., there remain 42 millions for its ordinary wants ; this makes 14 per cent of the income of the country of 300 millions. So that the Indian Government is two-and-half times more expensive than the Government of the United Kingdom."[64]

On this evidence, Ramesh Dutt then comments : "It is painful to note that these protests from the people of India led to no reduction in expenditure and taxation."[65]

Ramesh Dutt's ideas, thus, about public finance and taxation were that the money raised from the people must be "spent among the people and for the people." He writes : "A nation prospers if the sources of its wealth are widened, and if the proceeds of taxation are spent among the people, and for the people. A nation is impoverished if the sources of its wealth are narrowed, and the proceeds of taxation are largely remitted out of the the country. These are plain, self-evident economic laws, which operate in India, as in every other country."[66]

"Taxation raised by a king says the Indian poet, is like the moisture of the earth sucked by the sun, to be returned to the earth as fertilizing rain ; but the moisture raised from the Indian soil now descends as fertilising rain largely on other lands, not on India. Every nation reasonably expects that the proceeds of taxes

raised in the country should be mainly spent in the country. Under the worst government that India had in former times, this was the case.....Under wise rulers as under foolish kings, the proceeds of taxation flowed back to the people."[67]

But under the British, the whole situation changed for the worst. So, in conclusion he passionately asked : "Is there none who has the power and the determination of cutting down with a merciless hand the annual drain of nearly half of the revenues of India into the offices at Whitehall ? Is there none who can abolish the salt tax, limit the land tax, reduce the military expenditure, promote Indian industries, open the.....higher services to the people, and give them a real share in the administration of their own affairs. If these reforms are denied.....India will continue to be a land of diminishing plenty, of empty prospects and of justifiable discontent."[68]

From all these it may transpire that his concept of public finance was the concept of least expenditure on the part of the Government, as it was the inevitable corollary of the prevalent *laissez faire* philosophy in the ecomomic world. But as Ramesh Dutt stood for the state initiative for developing the economy and wanted the taxes be spent among the people and for the people, his ideas were quite compatible with the principle of public finance which emerged later under the concept of the Welfare State. "There is thus nothing later to indicate," writes D.R. Gadgil, "that Dutt would not have approved of the high expenditure level of a Welfare State."[69]

In other words, Ramesh Dutt held progressive views about public finance in general and taxation in particular. Similar were the progressive ideas of Ramesh Dutt about money and currency matters.

To sum up, Ramesh Chandra Dutt was an economic historian and "not a theoretical economist."[70] His major subject of concentration was agriculture and land assessment. But he boldly believed in the industrialization of the Indian economy with the help of the State initiative. He stood for State expenditure for public welfare and not for conspicuous consumption. His radical

economic analysis begot radical consequences. Jawaharlal Nehru : wrote : "Dadabhai Naoroji's *Poverty and un-British Rule in India* and books by Ramesh Dutt and...others thus played a revolutionary role in the development of our nationalist thought."[70]

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CHAPTER X

GOPAL KRISHNA GOKHALE (1866—1915)

Gopal Krishna Gokhale, about whom Mahatma Gandhi said and wrote, "Gokhale, My Political Guru," was born on May 9, 1866, at Kosluk in Ratnagiri district in Maharashtra. He lost his father while he was 13 years old in 1879. It was his elder brother Govind, who was four years older than him, who at the cost of his own education took up the family burden and made Gopal continue his education. He had many brilliant accomplishments at very early ages. At the age of 15 he matriculated in 1881 ; at 18, he was a graduate ; at 20 he was a Professor and taught History and Economics at the Fergusson College, Poona, from 1896 to 1902 ; at 22, Secretary of the Provincial Conference ; at 24, the editor of the Quarterly of the Poona Sarvajanik Sabha ; at 29, Secretary of the Indian National Congress ; at 30, one of the witnesses before the Welby Commission ; at 34, he was elected at the Provincial Legislative Council (Central) in 1901, and at the age of 39 he was elected President of the Indian National Congress at Banaras in 1905 and founded the Servants of India Society. He was a member of the Royal Commission on Public Services at the age of 46. He visited England seven times (1897, 1905, 1906, 1908, 1912, 1913, 1914) for giving evidence before the Welby Commission and the Decentralization Commission. In 1914 he was offered K. C. I. E. which he refused to accept.

Gopal Krishna Gokhale breathed his last on February 19, 1915 at Poona, mourned and lamented by many in India and abroad.

Mahatma Gandhi indicated in the same writing : "Gokhale, My Political Guru" : "He seemed to me all I wanted as a political worker—pure as crystal, gentle as a lamb, brave as a lion and chivalrous to a fault".[1]

In his *Autobiography* Gandhiji further gives the revealing

glimpses of Gokhale in the following words :

"To see Gokhale at work was as much a joy as an education. He never wasted a minute. His private relations and friendships were all for the public good. All his talks had reference only to the good of the country and were absolutely free from any trace of untruth or insincerity. India's poverty and subjection were of constant and intense concern to him. Various people sought to interest him in different things. But he gave to every one of them the same reply. "You do the thing yourself. Let me do my work. What I want is freedom for my country. After that is won, we can think of other things. Today that one thing is enough to engage all my time and energy."[2]

Lokmanya Balgangadhar Tilak, who was his contemporary and had his differences with him, paid his tribute to Gokhale in an article in his *Kesari* of February 23, 1915.

"Gokhale had many virtues in him. The chief amongst them was his complete dedication at a very young age to the service of the country with selfless devotion. There are persons who, after fully enjoying life at a young age turn their attention to public service for want of any other work. Their mental energies were dried up and their physical capacities were slowly ebbing out. For such persons one connot have a very high regard. But at a time when all the physical powers are in full bloom, when the body is capable of undergoing all exertions in pursuit of self, when old age is at a distance, when the aspect of happiness in life is still attractive and when the tendency of being drawn in that direction is natural, if at such a time, especially when one is inwardly sure that the possibilities of his success in life are comparatively greater, a person diverts his attention from these alluring aspects and prepares himself for the service of the country, fully conscious of the dangers involved therein, not minding the continuous labour, it all shows his strong control over himself. A person who not only exhibited that control, but practised it till the end of life, is really praiseworthy. Even one is to be judged by the motives by which he is actuated. Gokhale was mild by nature and his natural tendency was to carry out his task by mild methods. To persons like us, these methods appeared to be unsuited. Even though two physi-

cians had differed regarding the strict observance of treatment and the regimen, yet we acknowledge the worth of Gokhale as a physician."[3]

About his parliamentary stature, Curzon said : "In fact he was the leader of the opposition and in that capacity I had often to suffer from the weight of Mr. Gokhale's blows.....I have never met a man of any nationality more gifted with parliamentary capacities. Mr. Gokhale would have obtained a position of distinction in any Parliament in the world, even in the British House of Commons. Widely as we differed, I never failed to recognize either his ability or his high character."[4]

About the economic grasp of Gokhale, E. S. Montague said : "It is not too much to say that his annual contribution to the debate on Budget proposals in India was one of the outstandings (of the Central Imperial Legislative Council—S. C. J.)..... and was eagerly awaited by even those who could not see eye to eye with him in his criticisms. That a man should interest himself in the complexities of Indian economics and finance is in itself a tribute to his power of mind, that he should master them and should display his masterly technique at an age at which few people would care even to study them curiously was a high sign of ripening intellect and a serious endeavour which served to lay the sure foundations of Gokhale's work. And with all his comprehensiveness of judgement and mental clarity he never dropped into the academic fallacy of contempt. He impressed one as being among the most candid and unassuming of men and he was equally ready to give or take advice when it seemed most serviceable. His mind possessed the qualities ascribed to statesmanship, without ever losing the fire of its enthusiams or its warm human interests."[5]

Economic Ideas

"When Ranade died in January 1901, Gokhale felt orphaned ; for Ranade had been not only his Master but like a father to him."[6] "Gokhale imbibed the fundamental ideas of Ranade on Indian politics and economics ; he carried on, after the death of his master, the Ranade Tradition."[7]

Besides Ranade, the person who had influenced him and his thinking was none else but the Grand Old Man of India. Gokhale

himself said : "It is no exaggeration to say that younger men who came in personal contact with him, (Ranade—S. C. J.) felt as in a holy presence, not only uttering 'nothing base' but afraid even of thinking unworthy thoughts, while in his company. The only other man who had exercised a similar influence on me in my experience is Mr. Dadabhai Naoroji."[8]

Thus it goes without saying that in his economic ideas, as in his political and social ideas, Gokhale had the impact of these two partriarchs of Indian Economics—Dadabhai Naoroji, Mahadev Govind Ranade—and Ramesh Chandra Dutt. The nuance lay in the emphasis that Gokhale gave from the law-making forums, be it the Provincial Legislative Council or the Central Legislative Council of the time. In other words, he displayed his acumen, eloquence and irresistible logic in trying to get those economic ideas translated into the laws of the country.

Like those founders of Indian economics, Gokhale firmly believed that it was the drain of the Indian resources to England and the heavy taxation in one form or another, which were basically responsible for India's growing poverty. And these were happening because of the British rule in India. The further analysis of India's economic problems by Gokhale was again in line with that of those patriarchs.

Agriculture

It was the growing indebtedness of the peasantry which rivetted Gokhale's attention and on which he ventilated his ideas while he was a member in the Provincial Legislative Council. Because of famine and other causes lands in the Bombay Presidency, as in other parts of India, were being sold in large number by landowners to the money-lenders. For stopping this the Bombay Government introduced a Land Alienation Bill in the Legislative Council on May 30, 1901. The Government thought that the indebtedness of the peasantry would decrease by this measure. According to the Bill the peasant properietor could mortgage the standing crop to the money-lender but not the land.

Gokhale studied the problem thoroughly and found the remedy proposed worse than the disease. According to him the basic cause of the indebtedness of the peasantry was the excessive land

revenue exacted by the Government. "He did not agree with the Government that the indebtedness of the peasantry had been great under Muslim rule. He proved that poverty and indebtedness had increased under British rule."[9] The proposed measure, therefore, did not really touch the core of the problem of indebtedness. It was just tinkering with the problem and not any basic cure.

Thus, Gokhale "suggested that the piece of legislation should be postponed and a comprehensive enquiry made into the whole question."[9a] Gokhale forcefully argued in the Council :

"It is because I believe that this Bill will prove disastrous to the best interests of the agriculturists and not because it is likely to do any harm to the money-lenders that I deem it my duty to resist the passing of this measure to the utmost of my power."[10]

As the land revenue was being realized with all rigour and promptitude by the Government, so the peasantry were forced to borrow from the money-lenders to pay their dues. By the proposed measure if the land would not pass into the hands of the money-lenders and *sowcars*, it will pass under the control of the Government in default of timely payment. So the process of the peasants being rendered landless would not discontinue. And so the basic change was needed in the land revenue policy which was excessive and uncertain. Anyhow, for tackling the present indebtedness problem Gokhale wanted the Government should take up the land improvement measures, start land mortgage banks, or cooperative credit societies, or agricultural banks, etc.[11] His further suggestion was that the Government should take over the debts of the ryots from the *Sowcars*, start agricultural banks, and declare their land inalienable.[12] In the present form the Bill was to prove a dead letter which in fact it became when passed despite Gokhale and other non-official members' opposition and walking out from the Council in protest.

And "for solution of the land revenue problem he vigorously pleaded for making these rules more definite and intelligible. He sought to reform the land revenue system in the Ryotwari areas ; and suggested that the revenue should not be more than 20 per cent of the gross produce."[13]

We have seen that it was Ramesh Dutt's suggestion too that

in no case the land revenue should exceed the maximum limit of 20 per cent.

Industry and Commerce :

Concerning industry and commerce too, Gokhale's ideas were basically in conformity with his three predecessors.

Said Gopal Krishna Gokhale, "This free trade policy that has been thrust upon us has killed all our industries. No colony has accepted this policy. The result is that our people are growing poorer and poorer because they are all thrust back on agriculture. The old industries we had swept away under the competition of steam and machinery. All this has retarded our progress."[14]

The same retarding policy was being pursued by the British ruling authorities when indigenous industries started coming up on the scene. It was all being done in favour of the British manufacturing interests to the disadvantage of the Indian ones When the 5 per cent import duty levied on the Lancashire manufacturers was removed in 1879, and the Cotton Duties Bill, 1896, imposed $3\frac{1}{2}$ per cent duty on all cotton goods produced by the Indian mills, Gokhale spoke in the Central Legislative Council :

"In deference to the representation of Lancashire Mill Owners .....India was compelled to impose an excise duty on her own cotton manufactures. That is to say, she was forced to tax an internal industry at a peculiarly opportune time for the benefit of Lancashire."[15]

The expansion of the railway lines was, according to Gokhale, further meant for the exploitation of Indian labour and resources in the interest of the British private companies. About this when giving witness, the Chairman of the Welby Commission put a direct question to Gokhale :

"Would you really impress it on the Commissian that the Secretary of State and the Government of India have undertaken these railways principally in the interests of English commerce and commercial classes, is that a direct charge of yours ?"[16]

Gokhale replied : "That is the impression in India, because the facts are there."[17] He added : "Whenever a Viceroy of India goes out to India, there is a deputation that waits on him and they put pressure on him to construct these railways and he makes a

promise, more or less, that he would do his best ! These promises ultimately end in their fulfilment."[18]

When Gokhale was member in the Central Legislative Council he used to hammer his point. In his budget speech in 1906, he said : "During the last eight years, the surpluses of the Government of India have amounted to no less a sum than Rs. 35 crores and the whole of this money has been spent by the Government on Railways, in addition to large amounts specially borrowed for the purpose."[19]

In his 1907 budget speech Gokhale made the suggestion that the receipts and expenditure on railway account should be separately shown, and not merely profit. This suggestion was accepted[20] and since then the tradition of the railway budget being separate from the general budget started in India.

Gopal Krishna Gokhale was fully convinced that be it the railway companies or other British companies in indigo, tea, coffee or other plantations or in other industrial activity in India, they were set to exploit India in one form or another.

Gokhale believed in the industrialization of the Indian economy. The wind of the Swadeshi movement that was sweeping in India at the time had whole-hearted support of him. He said : "The devotion to motherland which is enshrined in the highest Swadeshi is an influence so profound and so passionate that the very thought thrills and its actual touch lifts one out of oneself."[21]

Financial Control :

Roughly from 1902 to 1912 Gokhale was a member of the Central Legislative Council. And, as said earlier, the major ventilation of his economic ideas came through his speeches from that Legislative forum. He was "at his best when speaking on the intricacies of finance and the country's economy."[22] The economic subjects which he pointedly dealt with in his budget speeches were the salt duty, army expenditure, currency surpluses, the indianisation of services and taxation.[23] Besides, he made several suggestions : "reduction of the State demand on land, improvement of the soil, removal of agricultural indebtedness, irrigation and scientific agriculture, promotion of industrial and technical education, primary education and sanitary improvement."[24]

The basic economic philosophy which emanated from his speeches while referring to these subjects was that India's economic ills were there because of the lack of financial control by her own people. Unless the people had a decisive voice in shaping the economic and financial policy of the country, the chronic malady of poverty would continue. "Gokhale maintained that the machinery of financial control in India was very defective. Whereas in the United Kingdom and the Colonies, public expenditure was controlled by tax-payers, in India the system was quite different. The interests of the British supremacy enjoyed the first standing claims which entailed a large amount of expenditure."[25]

Thus, in the history of Indian economic thought, "The greatest contribution of Gokhale was to the study of financial control in India."[26]

From this point of view, therefore, Gokhale tackled the economic problems in that legislative body.

The salt tax was a heavy load on the masses of India. Gokhale who was of the poor and for the poor, made incessant attack on this tax outside and inside the legislative forum. It was by his constant hammering in the Council that the salt tax was eventually reduced in 1907 from Rs. 2.8 to Re. 1 per maund.[27] It was still too much and it was left for his disciple Mahatma Gandhi to start the mass movement against it in his Salt Satyagraha in 1930.

The growing expenditure on military adventures by the British Government in India was the second major target of attack of Gokhale. According to him it was devouring 35 per cent of the total expenditure of the Government and its curtailment was a must.[28] Nay, it was not just the military expenditure but rather the civil expenditure too, which was the butt of his forceful criticism. The very Welby Royal Commission, which was appointed in 1895, was meant "to enquire into the administration and the management of the military and civil expenditure and the apportionment of charges between the Government of the United Kingdom and of India for the purpose in which both are interested." Gokhale, as said earlier, was a witness before it and his written evidence was divided into three parts—machinery of con-

trol, process of expenditure and apportionment of charges between England and India.[29] The core of his evidence was for the army retrenchment and economy in its military and in civil maintenance cost.

Gokhale was fully aware of the impact of the appreciation and depreciation of the value of currency, on the internal price level and on the foreign trade. He believed in the Quantity Theory of Money. "He was of the view that the sudden rise in the currency was bound to result in a general rise in prices. He did not accept the contention that additional currency was necessary as trade was expanding. He quoted statistics extensively in support of his position that prices increased as and when the currency in circulation increased."[30]

The impact of the rise in the internal price level further affected foreign trade. Exports came down and imports went up and this increase in the imports into India would be, according to Gokhale, that "whatever gold there is in general circulation, will be drained from the country."[31] The cost of production would also go up and indigenous industries would not compete with foreign industries. Besides, the amount of money in circulation, supply and demand also affected the price level.

The appreciation in the exchange value of rupee in terms of sterling enabled the Government to have surpluses which Gokhale hammered again and again to be used for the amelioration of the condition of the masses.[32]

Gokhale was dead against the opium trade and the revenue accruing from it. He said : "I have always felt a sense of deep humiliation at the thought of this revenue received as it is practically from the degradation and moral ruin of the people of China."

Last but not the least, Gokhale's contribution was in straightening out the financial relations between the Central Government and the Provincial Governments. He believed in the Provincial financial autonomy. At that time, as the Centre controlled the main items of revenue, the Provinces had to wait for doles from the Centre to meet their expenses. The Centre took the lion's share of the revenues leaving negligible sums of money to the

Provinces. Thus Gokhale very stoutly opposed the policy of doles and said....."instead of receiving the whole income from growing revenues, the Government of India should receive large fixed contributions from the Provincial Governments, say, upto one-third or one-fourth of its revenues, the other two-thirds or three-fourths being derived from growing resources."[33] In other words, Gokhale believed in financial decentralization.

Gokhale "spotlighted the injustice in the rising spiral of taxation."[34] According to him, besides the salt tax, the land revenue, income from drink, exise duty on cotton goods. stamp and registration duty, forest receipts—all these came from the poor.[35] Gokhale believed in total prohibition of drinks.

To sum up : Gopal Krishna Gokhale's economic ideas were on the whole, in corformity with the ideas of Dadabhai Naoroji, Mahadev Govind Ranade and Ramesh Chandra Dutt. India's stark poverty was because of the drain of Indian resources and high taxation in one form or another, pursued under the British rule in India. The industrialization of the Indian economy was indispensable. And for this, Gokhale, like them, believed in the protectionist policy for the growth of the indigenous industries. Nay, for the welfare of the masses Gokhale believed in the State initiative. Thus Gokhale would not have disagreed with the policy of planning the economy and the public sector activities which came into the picture in India after independence. For the betterment of the economic condition of the masses Gokhale believed in the full utilization of the machinery of the law and the state.

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